

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

Indian Law Resource Center, Inc.

December 31, 2010 and 2009

Indian Law Resource Center, Inc.

December 31, 2010 and 2009

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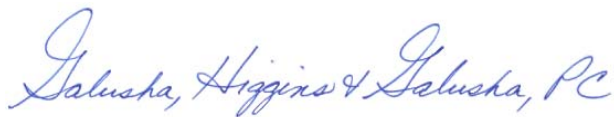
INDEPENDENT AUDITOR'S REPORT

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, 2010 and 2009 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, 2010 and 2009, and the statements of activities and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



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

Helena, Montana
February 21, 2011

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

ASSETS

	2010	2009
CURRENT ASSETS		
Cash and cash equivalents	\$ 730,880	\$ 519,790
Certificates of deposit	149,995	150,000
Grants receivable (net)	299,311	483,776
Other receivables	1,425	600
Prepaid expenses	15,907	7,968
Total current assets	1,197,518	1,162,134
 PROPERTY AND EQUIPMENT - AT COST		
Net depreciable assets	37,388	44,120
 OTHER ASSETS		
Deposits	1,325	1,325
Gar Creek Seminole land purchase	420,269	420,269
Investments	5,221	2,100
Investments, restricted	27,959	28,557
Restricted cash	22,762	9,682
Certificates of deposit, restricted	-	10,000
Total other assets	477,536	471,933
TOTAL ASSETS	\$ 1,712,442	\$ 1,678,187

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 18,787	\$ 11,842
Accrued salaries and vacation payable	32,619	49,922
Payroll taxes payable	13,566	2,878
Total current liabilities	64,972	64,642
 NET ASSETS		
Unrestricted	625,754	357,683
Temporarily restricted	970,995	1,207,623
Permanently restricted	50,721	48,239
TOTAL NET ASSETS	1,647,470	1,613,545
TOTAL LIABILITIES AND NET ASSETS	\$ 1,712,442	\$ 1,678,187

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, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions	\$ 78,357	\$ 5,026	\$ 2,482	\$ 85,865
Grants	783,432	532,285	-	1,315,717
Bequests and trusts	6,690	-	-	6,690
Contract services	-	13,500	-	13,500
Interest	4,649	1,124	-	5,773
Other	30,404	-	-	30,404
Realized and unrealized gains on investments	188	1,295	-	1,483
Released from restrictions	789,858	(789,858)	-	-
Total support and revenue	<u>1,693,578</u>	<u>(236,628)</u>	<u>2,482</u>	<u>1,459,432</u>
EXPENSES				
Program services	960,544	-	-	960,544
Management and general	225,747	-	-	225,747
Fund raising	239,216	-	-	239,216
Total expenses	<u>1,425,507</u>	<u>-</u>	<u>-</u>	<u>1,425,507</u>
Increase (decrease) in net assets	268,071	(236,628)	2,482	33,925
Net assets at beginning of year	357,683	1,207,623	48,239	1,613,545
Net assets at end of year	<u>\$ 625,754</u>	<u>\$ 970,995</u>	<u>\$ 50,721</u>	<u>\$ 1,647,470</u>

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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	<u>1,645,039</u>	<u>23,451</u>	<u>2,477</u>	<u>1,670,967</u>
EXPENSES				
Program services	862,622	-	-	862,622
Management and general	177,182	-	-	177,182
Fund raising	224,086	-	-	224,086
Total expenses	<u>1,263,890</u>	<u>-</u>	<u>-</u>	<u>1,263,890</u>
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	<u>\$ 357,683</u>	<u>\$ 1,207,623</u>	<u>\$ 48,239</u>	<u>\$ 1,613,545</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, 2010

	Program	Supporting Services			Total Program Services and Supporting Services
	Services	Management and General	Fund Raising	Total	
	Total				
FUNCTIONAL EXPENSES					
Salaries and wages	\$ 529,296	\$ 101,095	\$ 147,970	\$ 249,065	\$ 778,361
Employee fringe benefits and payroll taxes	139,939	27,479	39,325	66,804	206,743
Contract services	144,891	21,017	12,003	33,020	177,911
Travel	47,798	34,825	5,568	40,393	88,191
Occupancy expense	32,474	9,346	15,609	24,955	57,429
Property and equipment expense	17,493	3,959	7,512	11,471	28,964
Advertising	-	1,004	158	1,162	1,162
Contribution expense	6,841	-	-	-	6,841
Dues and registration	886	6,476	1,424	7,900	8,786
Duplicating and printing	9,637	644	1,218	1,862	11,499
Filing fees and court costs	350	-	-	-	350
Hosting and meals	2,989	8,928	873	9,801	12,790
Insurance	2,725	1,075	689	1,764	4,489
Miscellaneous	72	377	663	1,040	1,112
On-line services	9,203	3,077	341	3,418	12,621
Postage and delivery	1,885	2,501	2,572	5,073	6,958
Staff development	-	364	-	364	364
Subscriptions and books	1,550	-	314	314	1,864
Supplies	6,305	1,984	1,657	3,641	9,946
Telephone	6,210	1,596	1,320	2,916	9,126
Totals	<u>\$ 960,544</u>	<u>\$ 225,747</u>	<u>\$ 239,216</u>	<u>\$ 464,963</u>	<u>\$ 1,425,507</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	Supporting Services			Total Program
	Services	Management	Fund	Total	
	Total	and General	Raising	Total	Services and Supporting Services
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.

STATEMENTS OF CASH FLOWS

for the years ended December 31,

	<u>2010</u>	<u>2009</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 33,925	\$ 407,077
Adjustments to reconcile increase in net assets to net cash from operating activities		
Depreciation and amortization	14,356	10,876
Gains on investments	(1,483)	(1,083)
Noncash donations	-	(981)
Receipt of permanently restricted net assets	(2,482)	(2,477)
Change in assets and liabilities		
(Increase) decrease in receivables	183,640	(14,751)
(Increase) decrease in prepaid expenses and deposits	(7,939)	520
Increase (decrease) in accounts payable	6,945	(5,724)
Increase (decrease) in accrued expenses	(17,303)	4,721
Increase (decrease) in payroll taxes payable	10,688	207
Net cash from operating activities	<u>220,347</u>	<u>398,385</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from sales of CD's and investments	260,001	416,045
Cash payments for equipment	(3,686)	(39,238)
Cash payments for CD's and investments	(254,974)	(545,077)
Net cash from investing activities	<u>1,341</u>	<u>(168,270)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Changes in restricted cash	(13,080)	(1,383)
Receipt of permanently restricted net assets	2,482	2,477
Net cash from financing activities	<u>(10,598)</u>	<u>1,094</u>
NET CHANGE IN CASH	<u>211,090</u>	<u>231,209</u>
Cash balance, January 1,	<u>519,790</u>	<u>288,581</u>
Cash balance, December 31,	<u><u>\$ 730,880</u></u>	<u><u>\$ 519,790</u></u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES:		
Donated investments	<u><u>\$ -</u></u>	<u><u>\$ 981</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, 2010 and 2009

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 *Accounting for Contributions Received and Made*, and *Financial Statements of Not-for-Profit Organizations*. The first 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. The second accounting standard 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, 2010 and 2009

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 has adopted *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under this standard, 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 unrestricted 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 2010 and 2009, advertising costs totaled \$1,162 and \$1,491, 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, Indian Law Resource Center, Inc. is subject to examination by federal and state taxing authorities for the 2007 through 2010 tax years. 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, which would be recorded in the year assessed on the statement of activities.

Continued

Indian Law Resource Center, Inc.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010 and 2009

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, 2010 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2010. Management has performed this analysis through February 21, 2011, the date the financial statements were available to be issued.

NOTE B - CONCENTRATION OF CREDIT RISK

The Center has cash on deposit at D.A. Davidson of \$131,742 in 2010 and \$24,295 in 2009. 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, 2010 and 2009, the Center had no uninsured cash at D.A. Davidson.

The Center has cash on deposit at Valley Bank of \$418,938 in 2010 and \$496,312 in 2009. Accounts at Valley Bank are insured by the FDIC up to \$250,000. At December 31, 2010 and 2009, the Center's uninsured cash balances at Valley Bank totaled \$168,938 and \$246,312, respectively.

NOTE C - GRANTS RECEIVABLE

	2010	2009
Within one year	\$ 300,000	\$ 485,000
Less: Discounts for the time-value of money	(689)	(1,224)
Amount on statement of financial position	<u>\$ 299,311</u>	<u>\$ 483,776</u>
Grant Receivable:		
Current portion	\$ 299,311	\$ 483,776
Long-term portion	-	-
Total	<u>\$ 299,311</u>	<u>\$ 483,776</u>

NOTE D - PROPERTY AND EQUIPMENT, NET

A summary of property and equipment is as follows:

	2010	2009
Furniture and fixtures	\$ 25,923	\$ 25,922
Office equipment	73,813	70,127
Research library	28,787	28,787
Leasehold improvements	5,331	1,393
	<u>133,854</u>	<u>126,229</u>
Accumulated depreciation	(96,466)	(82,109)
Net property and equipment	<u>\$ 37,388</u>	<u>\$ 44,120</u>

Continued

Indian Law Resource Center, Inc.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010 and 2009

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, 2010 and 2009 are as follows:

	2010		2009	
	Cost	Fair Market Value	Cost	Fair Market Value
Mutual Funds	<u>\$ 35,101</u>	<u>\$ 33,180</u>	<u>\$ 35,010</u>	<u>\$ 30,657</u>

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.

	2010	2009
Cinnabar Foundation	\$ 5,072	\$ 6,217
Contract Services	13,500	-
Contributions	5,026	6,000
CS Mott Foundation	82,148	16,859
Fanwood Foundation	-	2,000
Ford Foundation	312,706	604,459
Haundenosaunee Central Fund	55,200	55,200
Indian Land Tenure Foundation	12,593	-
Jay Kenney Foundation	8,500	9,000
Lannan Foundation	16,558	44,859
Lannan Foundation (Seminole Land Purchase)	420,269	420,269
Oak Foundation (Regranting)	-	6,650
OneFamily Foundation	-	4,347
Philanthropic Collaborative	27,464	30,000
Tides Foundation	2,018	
True North Foundation	8,817	
Interest on Endowment	1,124	1,763
	<u>\$ 970,995</u>	<u>\$ 1,207,623</u>

Continued

Indian Law Resource Center, Inc.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE G - TEMPORARILY RESTRICTED NET ASSETS, continued

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

	2010	2009
Akonadi Foundation	\$ -	\$ 10,000
Bay and Paul Foundation	12,500	5,000
C.S. Mott Foundation	83,734	79,921
Cinnabar Foundation	6,217	1,783
Contract Services	13,500	-
Fidelity Charitable Gift Fund	5,000	-
Ford Foundation	601,250	647,963
Indian Land Tenure Foundation	2,407	-
Jay Kenney Foundation	500	1,000
Lannan Foundation	28,301	203,868
Laura Jane Musser Fund	-	15,000
Oak Foundation (Regranting)	6,650	18,297
OneFamily Foundation	12,348	5,652
Overbrook Foundation	-	25,000
Patagonia, Inc.	-	119
Philanthropic Collaborative	2,536	8,800
San Manuel Band of Mission Indians	2,000	-
Tides Foundation	6,732	-
Tonawanda Seneca Nation	-	15,000
True North Foundation	6,183	-
US Human Rights Fund	-	50,000
Vine Deloria Jr. Library Fund	-	493
Interest on Endowment	-	218
	<u>\$ 789,858</u>	<u>\$ 1,088,114</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, 2010 and 2009, this fund has a permanently restricted balance of \$50,721 and \$48,239, respectively. See note O for more detail.

Continued

Indian Law Resource Center, Inc.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010 and 2009

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, 2010.

2011	\$ 14,400
Total	<u>\$ 14,400</u>

Helena, Montana - The Center leases space under a five-year lease which expires April 30, 2015. 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, 2010.

2011	\$ 1,608
2012	134
Total	<u>\$ 1,742</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.

Continued

Indian Law Resource Center, Inc.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010 and 2009

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:

	2010		
	Direct Operating Expenses	Management and General Expenses	Total
Program services	\$ 960,544	\$ 180,292	\$ 1,140,836
Fundraising	239,216	45,455	284,671
Total expenses	\$ 1,199,760	\$ 225,747	\$ 1,425,507
	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

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 2010 and 2009, the Center paid an equivalent of \$1,168 per month.

Future minimum lease payments are as follows as of December 31, 2010, assuming annual renewals going forward.

2011	\$ 14,016
2012	14,016
2013	14,016
2014	14,016
2015	4,672
Total	\$ 60,736

Continued

Indian Law Resource Center, Inc.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE L - PENSION PLAN

In July 1991, the Center started a defined contribution retirement plan. For the years ended December 31, 2010 and 2009, the Center contributed 7.0% and 2.0% of compensation of those eligible to participate in the plan. Total contribution for 2010 and 2009 were \$40,024 and \$30,041, 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, 2010 and 2009, the principal balance of the Endowment was \$177,856 and \$165,864, 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

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 this standard 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. <p>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.</p>
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, 2010 and 2009

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:

	Assets at Fair Value as of December 31, 2010:			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 149,995	\$ -	\$ 149,995
Grants receivable	-	-	299,311	299,311
Investments	35,101	-	-	35,101
	<u>\$ 35,101</u>	<u>\$ 149,995</u>	<u>\$ 299,311</u>	<u>\$ 484,407</u>

	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>\$ 30,657</u>	<u>\$ 160,000</u>	<u>\$ 483,776</u>	<u>\$ 674,433</u>

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Indian Law Resource Center, Inc.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE N - FAIR VALUE MEASUREMENTS, continued

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, 2010:

Balance, beginning of year	\$483,776
Present value discount	
recognized as grant revenue	3,740
Payments received on	
outstanding grants receivable	(485,000)
Amounts recorded as receivable	
during the year	297,484
Present value discount on	
amounts recorded as receivable	(689)
Balance, end of year	<u><u>\$ 299,311</u></u>

NOTE O - ENDOWMENT NET ASSETS

The endowment consists of numerous individual funds established for a variety of purposes. The Center's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based upon the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Center has interpreted the Montana Uniform Prudent Management of Institutional Funds Act (MUPMIFA) as requiring the 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.

As a result of this interpretation, the Center classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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Indian Law Resource Center, Inc.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE O - ENDOWMENT NET ASSETS, continued

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Center in a manner consistent with the standard of the prudence prescribed by the MUPMIFA. In accordance with the MUPMIFA, the Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purposes of the Center and the donor-restricted endowment fund;
3. General economic conditions;
4. The expected total return from income and the appreciation of investments;
5. Other resources of the Center; and
6. The investment policies of the Center.

Change in net asset composition by type of fund for the year ended December 31, 2010 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, December 31, 2009	\$ (2,000)	\$ 4,100	\$ 48,239	\$ 50,339
Investment return:				
Investment income	555	1,124	-	1,679
Net appreciation (depreciation)	188	1,295	-	1,483
Total investment return	743	2,419	-	3,162
Contributions	-	-	2,482	2,482
Endowment net assets, December 31, 2010	\$ (1,257)	\$ 6,519	\$ 50,721	\$ 55,983

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Indian Law Resource Center, Inc.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE O - ENDOWMENT NET ASSETS, continued

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or MUPMIFA requires the Center to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$220 as of December 31, 2009. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of net permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors. There were no such deficiencies as of December 31, 2010.

Return Objectives and Risk Parameters

The Center has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Center must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds.

Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to preserve endowment capital. Funds shall be invested such that no less than 50% and no more than 70% of such funds shall be invested in equities, with the balance invested in fixed income securities, while assuming a moderate level of investment risk. The Center expects its endowment funds, over time, to provide a reasonable current rate of return.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Center relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The Center targets a diversified asset allocation including cash equivalents, fixed income, and equity securities to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How Investment Objectives Relate to Spending Policy

The Center has a policy of appropriating for distribution each year 5 percent of its endowment fund's average fair value over the prior 3 years through the calendar year-end preceding the fiscal year in which the distribution is planned, assuming this does not result in withdrawal of principle. In establishing this policy, The Center considered the long-term expected return on its endowment. This is consistent with the Center's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Concluded