Indian Law Resource Center, Inc.

Financial Statements

Years Ended December 31, 2017 and 2016

WIPFLi LLP
CPAs and Consultants

WIPFLi LLP

Independent Auditor's Report

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

Report on the Financial Statements
We have audited the accompanying financial statements of Indian Law Resource Center, Inc. (the "Center"), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indian Law Resource Center, Inc. as of December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Report on Comparative Information

We have previously audited the Center's 2016 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated June 16, 2017. In our opinion, the summarized comparative information presented herein as of and for the period ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wipfli LLP

Wipfli LLP

April 3, 2018
Helena, MT

Indian Law Resource Center, Inc.
Statements of Financial Position

As of December 31,	2017	2016
Assets		
Current Assets		
Cash and cash equivalents	$ 385,717	$ 395,077
Current grants receivable, net	171,985	385,000
Accounts receivable	511	504
Prepaid expenses	3,146	4,075
Total current assets	561,359	784,656
Property and Equipment - at cost		
Net depreciable assets	8,494	11,863
Total property and equipment - at cost	8,494	11,863
Other Assets		
Deposits	1,325	1,325
Long term grants receivable, net	-	231,505
Gar Creek Seminole land purchase	420,269	420,269
Investments, restricted	48,029	42,255
Investments, board restricted operating reserve	589,764	534,415
Restricted cash - operating reserve	5,068	2,234
Restricted cash	41,886	37,922
Total other assets	1,106,341	1,269,925
Total assets	$ 1,676,194	$ 2,066,444
Liabilities and Net Assets		
Current liabilities		
Grants and accounts payable	$ 10,912	$ 15,132
Accrued expenses	45,754	44,147
Current portion of capital lease	661	632
Total current liabilities	57,327	59,911
Other liabilities		
Long-term capital lease	1,664	2,325
Total other liabilities	1,664	2,325
Net assets		
Unrestricted	104,046	192,840
Unrestricted - Board Designated - Guatemala	-	35,000
Temporarily restricted	945,863	1,209,574
Permanently restricted	567,294	566,794
Total net assets	1,617,203	2,004,208
Total liabilities and net assets	$ 1,676,194	$ 2,066,444

See accompanying notes to financial statements.

Indian Law Resource Center, Inc.

Statements of Activities and Changes in Net Assets

	2017				2016
Years Ended December 31,	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Support and revenue					
Contributions	$ 82,162	$ -	$ 500	$ 82,662	$ 80,164
Grants	30,230	655,000	-	685,230	1,260,198
Bequests and trusts	8,878	-	-	8,878	8,802
Interest	29,601	17,106	-	46,707	16,226
Other	13,695	-	-	13,695	105
Realized and unrealized gains (losses) on investments	1,346	43,045	-	44,391	29,649
Released from restrictions	978,862	(978,862)	-	-	-
Total support and revenue	1,144,774	(263,711)	500	881,563	1,395,144
Expenses					
Program services	956,091	-	-	956,091	1,128,763
Management and general	215,255	-	-	215,255	158,196
Fundraising	96,972	-	-	96,972	112,807
Grants repaid	250	-	-	250	6,575
Total expenses	1,268,568	-	-	1,268,568	1,406,341
Change in net assets	(123,794)	(263,711)	500	(387,005)	(11,197)
Net assets, beginning of year	227,840	1,209,574	566,794	2,004,208	2,015,405
Net assets, end of year	$ 104,046	$ 945,863	$ 567,294	$ 1,617,203	$ 2,004,208

See accompanying notes to financial statements.

Indian Law Resource Center, Inc.

Statements of Functional Expenses

	2017				2016
Years Ended December 31,	Program	Management and General	Fundraising	Total	Total
Functional expenses					
Salaries and wages	$ 565,572	$ 57,231	$ 64,981	$ 687,784	$ 767,251
Employee fringe benefits and payroll taxes	182,322	17,611	20,850	220,783	199,635
Contract services	122,946	60,946	1,603	185,495	177,755
Travel	38,196	11,738	476	50,410	122,692
Occupancy expenses	20,223	39,516	5,803	65,542	63,597
Property and equipment	4,064	4,543	664	9,271	9,512
Telephone	2,752	10,877	142	13,771	13,181
Online services	9,282	2,485	952	12,719	13,268
Hosting and meals	140	365	5	510	625
Dues and registration	3,477	752	1,289	5,518	7,648
Insurance	371	4,964	72	5,407	6,854
Supplies	-	2,606	38	2,644	3,897
Postage and delivery	122	392	77	591	1,962
Duplicating and printing	5,233	840	16	6,089	9,469
Miscellaneous	975	389	4	1,368	2,130
Subscriptions and books	416	-	-	416	290
Subtotal	956,091	215,255	96,972	1,268,318	1,399,766
Grants repaid	250	-	-	250	6,575
Total	$ 956,341	$ 215,255	$ 96,972	$ 1,268,568	$ 1,406,341

See accompanying notes to financial statements.

Indian Law Resource Center, Inc.

Statements of Cash Flows

Years Ended December 31,	2017	2016
Cash flow from operating activities		
Change in net assets	$ (387,005)	$ (11,197)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	3,369	4,431
Unrealized (gain) loss on investments	(58,673)	(26,471)
Receipt of permanently restricted net assets	(500)	(2,500)
Change in assets and liabilities		
(Increase) decrease in receivables	444,513	(74,278)
Decrease in prepaid expenses and deposits	929	4,751
Decrease in accounts payable	(4,220)	(51,215)
Increase in accrued expenses	1,607	119
Net cash from operating activities	20	(156,360)
Cash flows from investing activities		
Cash payments for CD's and investments	(2,450)	(18,213)
Net cash from investing activities	(2,450)	(18,213)
Cash flows from financing activities		
Increase in restricted cash	(6,798)	(3,541)
Increase (decrease) in capital lease payable	(632)	(406)
Receipt of permanently restricted net assets	500	2,500
Net cash from financing activities	(6,930)	(1,447)
Net change in cash	(9,360)	(176,020)
Cash balance, beginning of period	395,077	571,097
Cash balance, end of period	$ 385,717	$ 395,077

See accompanying notes to financial statements.

Note 1: Summary of Significant Accounting Policies

Nature of Activities

Indian Law Resource Center, Inc. (the "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.

Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States (GAAP).

Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Center and changes therein are classified and reported as follows:

> Unrestricted net assets are the net assets of the Center that are neither permanently restricted nor temporarily restricted. Thus, they include all net assets whose use has not been restricted by donors or by law.
>
> Temporarily restricted net assets are subject to donor-imposed stipulations that may or may not be met, either by actions of the Center and/or the passage of time. When a restriction expires, temporarily restricted net assets are transferred to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
>
> Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Center. Generally, the donors of these assets permit the Center to use all or part of the income earned on any related investments for general or specific purposes.

Property and Equipment

All acquisitions and improvements of property and equipment of $500 or more are capitalized while all expenditures for repairs and maintenance that do not materially prolong the useful lives of assets are expensed. Purchased property and equipment is carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated lives of the assets. Asset lives range from 5 to 10 years.

Note 1: Summary of Significant Accounting Policies (Continued)

Estimates

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

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.

Cash and Cash Equivalents

The Center considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Grants Receivable

For the purposes of recording grants receivable, a present value factor is applied to arrive at the amounts reported. See Note 3 for further information. The Center considers grants receivable fully collectible. Accordingly, no allowance for uncollectible grants has been provided.

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.

General and Administrative Expenses

General and administrative expenses which are not directly chargeable to specific projects are reported as supporting services - management and general.

Advertising and Promotion

The Center uses advertising to encourage contributions and to announce employment opportunities. The production costs of advertising are expensed as incurred. The Center incurred no advertising expense during 2017 and 2016.

Note 1: Summary of Significant Accounting Policies (Continued)

Income Taxes

The Center was incorporated on April 5, 1978 in Washington D.C. pursuant to the 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 charitable contribution 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 previous three tax years. Although management believes that the amounts reflected in their tax returns substantially comply 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.

Compensated Absences

The Center accrues a liability for earned but unused vacation benefits.

Subsequent Events

The Center has evaluated events and transactions for potential recognition or disclosure in the financial statements through April 3, 2018, which is the date the financial statements were available to be issued. See Note 16 for details.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605, *Revenue Recognition*, and most industry-specific guidance. When adopted, the amendments in the ASU must be applied using one of two retrospective methods. ASU No. 2014-09 is effective for nonpublic companies for annual periods beginning after December 15, 2018. The Center is currently evaluating the impact of the provisions of ASC 606.

On August 18, 2016, the FASB issued ASU 2016-14 (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities ("Updated"). The Update reduces the number of asset classes from three to two, those with donor restrictions and those without, requires all nonprofits to report expenses by nature and function and improves information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance, and cash flows.

Note 1: Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements (Continued)

The amendments in this Update are effective for annual financial statements issued for fiscal years beginning after December 15, 2018. Early application of the amendments in this Update is permitted. The Center has elected not to early implement the amendments.

Note 2: Concentration of Credit Risk

The Center maintains cash balances at financial institutions where the accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for up to $250,000. At certain times during the year, cash balances may be in excess of FDIC coverage. The Center has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash.

Note 3: Grants Receivable

As of December 31, 2017 and 2016	2017	2016
Within one year	$ 177,145	$ 385,000
More than one year	-	250,000
Less: Discounts for the time-value of money	(5,160)	(18,495)
Current grant receivable (net of long term portion)	$ 171,985	$ 616,505

Note 4: Property and Equipment

As of December 31, 2017 and 2016	2017	2016
Furniture and fixtures	$ 25,923	$ 25,923
Office equipment	90,328	90,328
Research library	28,787	28,787
Leasehold improvements	5,331	5,331
	150,369	150,369
Accumulated depreciation	(141,875)	(138,506)
Total property and equipment - at cost	$ 8,494	$ 11,863

Note 5: 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 has been formed to which the land will be transferred at a future date.

Note 6: Investments

Investments are carried at fair market value. Investments are as follows:

	2017		2016	
As of December 31,	Cost	Fair Value	Cost	Fair Value
Mutual Funds and Bonds	$ 611,144	$ 637,793	$ 587,301	$ 576,670

Investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with various investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported on the financial statements.

Note 7: 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. Temporarily restricted assets are as follows:

Years ended December 31,	2017	2016
Time restricted:		
General operations	$ 232,951	$ 500,000
Purpose restricted:		
Kuskowim Watershed	8,066	8,066
Land Titling	26,134	120
Human Rights Training	-	4,734
ADRIP	-	93,617
Native Rights and Tribal Sovereignty	100,000	-
MDB	46,784	130,678
Rapa Nui	-	582
Seminole land purchase	420,269	420,269
Endowment earnings	111,659	51,508
Total	$ 945,863	$ 1,209,574

Note 7: Temporarily Restricted Net Assets (Continued)

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

Years ended December 31,	2017	2016
Time restricted:		
General operations	$ 767,046	$ 810,000
Purpose restricted:		
Safe Women Strong Nations	10,000	35,000
Land Titling	18,987	49,880
Law Reform	-	25,000
World Conference	-	45,365
Human Rights Training	4,735	14,210
ADRIP	93,617	6,383
Guatemala	-	75,000
MDB	83,895	139,233
REDD	-	730
Rapa Nui	582	419
Total	$ 978,862	$ 1,201,220

Note 8: 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.

In 2013, the Center received a grant from the Ford Foundation of $500,000 for an operating reserve fund, which is required to be classified as permanently restricted net assets. The grant term began September 1, 2013 and ended December 31, 2016. The funds continue to be held in the operating reserve fund. According to the restrictions established by the Ford Foundation, the reserve fund can be used only under very narrowly defined circumstances for operational expenses. When funds are withdrawn from the reserve, a plan for repayment of the funds to the reserve must be established. The reserve fund is managed according to a written plan adopted by the Center's Board and approved by the Ford Foundation.

As of December 31, 2017 and 2016 the permanently restricted funds balance were $567,294 and $566,794, respectively. See Note 15 for more detail.

Note 9: Commitments

The Center has the following lease agreements for office space:

Washington, DC - The Center entered into a three-year lease beginning June 1, 2015 and extending until May 31, 2018. The rent is $2,500 per month. The future minimum lease payments for 2018 total $12,500.

Note 10: Functional Classification of 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 years ended December 31:

2017	Direct Operating Expenses	Management and General Expenses	Total
Program services	$ 956,091	$ 195,445	$ 1,151,536
Fundraising	96,972	19,810	116,782
Total	$ 1,053,063	$ 215,255	$ 1,268,318

2016	Direct Operating Expenses	Management and General Expenses	Total
Program Services	$ 1,128,763	$ 143,823	$ 1,272,586
Fundraising	112,807	14,373	127,180
Total	$ 1,241,570	$ 158,196	$ 1,399,766

Note 11: Related Parties

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, May 1, 2005 and May 1, 2010. 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 2015, an oral agreement was made whereas the Center pays the insurance and taxes on the building while the rent is being donated. No rent was paid by the Center in 2017 or 2016 and the entire amount of $20,000 per year, was donated by the Center's executive director and his spouse. The Center paid $4,104 and $4,264 in property taxes in 2017 and 2016, respectively.

Note 12: Retirement Plan

In July 1991, the Center started a defined contribution retirement plan. For the years ended December 2017 and 2016, the Center contributed 7% of compensation of those eligible to participate in the plan. Total contributions for 2017 and 2016 were $54,725 and $52,936, respectively.

Note 13: Montana Community Foundation

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, 2017 and 2016, the principal balance of the Endowment was $202,517 and $183,054, 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 14: Fair Value Measurements

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (Level 3). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy are described as follows:

Level 1- Inputs to the valuation methodology are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Plan can access at the measurement date.

Level 2- Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- 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 that are unobservable inputs for the asset or liability.

Note 14: Fair Value Measurements (Continued)

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

Quoted market prices are used to determine the fair value of investments in publicly traded equity securities (common and preferred stock). Money market funds, equity funds, and fixed income funds are valued using quotes from pricing vendors based on recent trading activity and other observable market data. The fair value of alternative investments is based on the net asset value per share as a practical expedient. Beneficial interest in charitable remainder trusts held by others are measured at the present value of future cash flows considering the estimated return on the invested assets during the expected terms of the agreements, the contractual obligations under the agreement, and a discount rate based on the risks involved.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while 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 present the balances of assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy at December 31:

	Assets at Fair Market Value as of December 31, 2017			
	Level 1	Level 2	Level 3	Total
Bonds:				
US government securities	$ 108,157	$ -	$ -	$ 108,157
Mutual funds:				
Consumer goods	2,369	-	-	2,369
High yield bond	107,756	-	-	107,756
Intermediate term bond	19,047	-	-	19,047
Large value	394,051	-	-	394,051
World stock	6,413	-	-	6,413
Total investments	$ 637,793	$ -	$ -	$ 637,793

Note 14: Fair Value Measurements (Continued)

	Assets at Fair Market Value as of December 31, 2016			
	Level	Level 2	Level 3	Total
Bonds:				
US government securities	$ 106,040	$ -	$ -	$ 106,040
Mutual funds:				
High yield bond	101,737	-	-	101,737
Intermediate term bond	18,445	-	-	18,445
Large value	345,201	-	-	345,201
World stock	5,247	-	-	5,247
Total investments	$ 576,670	$ -	$ -	$ 576,670

Note 15: Endowment Funds

The endowment consists of numerous individual funds established for a variety of purposes. The Center's endowment includes donor-restricted endowment funds. 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.

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.

Note 15: Endowment Funds (Continued)

Change in net asset composition by type of fund for the years ended December 31, 2017 and 2016 is as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, January 1, 2016	$ 5,783	$ 564,294	$ 570,077
Investment Return			
Investment income	13,711	-	13,711
Net appreciation	32,014	-	32,014
Total investment return	45,725	-	45,725
Grants and contributions	-	2,500	2,500
Endowment Net Assets, December 31, 2016	51,508	566,794	618,302
Investment Return			
Investment income	17,106	-	17,106
Net appreciation	43,045	-	43,045
Total investment return	60,151	-	60,151
Grants and contribution	-	500	-
Endowment Net Assets, December 31, 2017	$ 111,659	$ 567,294	$ 678,453

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 would be reported in unrestricted net assets. There were no such deficiencies as of December 31, 2017 and 2016.

Return Objectives and Risk Parameters

The Center has adopted an investment and spending approach 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.

Note 15: Endowment Funds (Continued)

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 an approach of appropriating for distribution each year 5% or less 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 principal. In establishing this approach, 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.

Note 16: Subsequent event

The Center received notification in March of 2018 that the Ford Foundation and Lannan Foundation are re-evaluating their grant-making, all commitments beyond 2019 are on hold. The Center also received notification that the NoVo Foundation is not planning to make a general support grants in 2019 and beyond. These foundations have each been providing $250,000 a year in general support.