

**The accompanying financial statements and report are intended for the original recipient. They must be presented in their entirety and may not be modified in any manner.**





**MONTANA WILDERNESS  
ASSOCIATION**

**FINANCIAL REPORT**

**September 30, 2015 and 2014**

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## INDEPENDENT AUDITOR'S REPORT

To the Council Members  
Montana Wilderness Association  
Helena, Montana

We have audited the accompanying financial statements of Montana Wilderness Association, (the Association) which comprise the statements of financial position as of September 30, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years 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 of America; 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 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 Montana Wilderness Association as of September 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Anderson Zurmuehlen & Co., P.C.*

Helena, Montana  
December 22, 2015

FINANCIAL STATEMENTS

MONTANA WILDERNESS ASSOCIATION  
STATEMENTS OF FINANCIAL POSITION  
September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 271,257	\$ 581,566
Grants and contracts receivable	103,798	245,557
Inventory	14,660	6,382
Prepaid expenses	<u>26,767</u>	<u>-</u>
Total current assets	<u>416,482</u>	<u>833,505</u>
<b>LONG-TERM INVESTMENTS</b>		
Endowment funds	698,393	697,467
Montana Community Foundation	155,290	163,374
Council designated	<u>2,075,695</u>	<u>1,822,286</u>
Total long-term investments	<u>2,929,378</u>	<u>2,683,127</u>
<b>PROPERTY AND EQUIPMENT</b>		
Land	84,000	84,000
Building	622,518	622,518
Building improvements	63,602	63,602
Furniture and equipment	<u>47,500</u>	<u>50,246</u>
Total property and equipment	817,620	820,366
Less: accumulated depreciation	<u>(64,682)</u>	<u>(52,914)</u>
Total property and equipment	<u>752,938</u>	<u>767,452</u>
<b>OTHER ASSETS</b>		
Unemployment insurance reserve	25,291	26,879
Security deposits	<u>3,540</u>	<u>-</u>
Total other assets	<u>28,831</u>	<u>26,879</u>
Total assets	<u>\$ 4,127,629</u>	<u>\$ 4,310,963</u>

The Notes to Financial Statements are an integral part of these statements.

MONTANA WILDERNESS ASSOCIATION  
STATEMENTS OF FINANCIAL POSITION (CONTINUED)  
September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 22,114	\$ 28,260
Refundable deposit	900	-
Grant advances	52,800	52,800
Accrued property taxes	-	3,921
Accrued vacation	44,567	43,147
Accrued payroll liabilities	56,507	20,521
Mortgage payable, current portion	<u>19,327</u>	<u>18,610</u>
Total current liabilities	<u>196,215</u>	<u>167,259</u>
LONG-TERM LIABILITIES		
Mortgage payable, net of current portion	<u>463,847</u>	<u>483,190</u>
Total liabilities	<u>660,062</u>	<u>650,449</u>
NET ASSETS		
Unrestricted:		
Undesignated	520,124	960,421
Designated:		
Council designated funds	<u>2,075,695</u>	<u>1,822,286</u>
Total unrestricted	2,595,819	2,782,707
Temporarily restricted	241,622	258,681
Permanently restricted	<u>630,126</u>	<u>619,126</u>
Total net assets	<u>3,467,567</u>	<u>3,660,514</u>
Total liabilities and net assets	<u>\$ 4,127,629</u>	<u>\$ 4,310,963</u>

The Notes to Financial Statements are an integral part of these statements.



**MONTANA WILDERNESS ASSOCIATION**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended September 30, 2015

	Unrestricted				Total
	Unrestricted	Board Designated	Temporarily Restricted	Permanently Restricted	
<b>SUPPORT AND REVENUE</b>					
Membership dues	\$ 134,603	\$ -	\$ -	\$ -	\$ 134,603
Gifts	498,168	-	27,881	11,000	537,049
Grants	660,765	-	522,585	-	1,183,350
Investment income (loss)	872	(31,410)	(11,324)	-	(41,862)
Convention fees and special events	26,592	-	-	-	26,592
Merchandise sales, net of cost of goods sold of \$4,931	7,458	-	-	-	7,458
Miscellaneous receipts	1,594	-	-	-	1,594
	<u>1,330,052</u>	<u>(31,410)</u>	<u>539,142</u>	<u>11,000</u>	<u>1,848,784</u>
Net assets released from restrictions	556,201	-	(556,201)	-	-
Total support and revenue	<u>1,886,253</u>	<u>(31,410)</u>	<u>(17,059)</u>	<u>11,000</u>	<u>1,848,784</u>
<b>EXPENSES</b>					
Program services	1,648,316	-	-	-	1,648,316
Management and general	186,577	-	-	-	186,577
Fundraising	206,838	-	-	-	206,838
Total expenses	<u>2,041,731</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,041,731</u>
Changes in net assets	(155,478)	(31,410)	(17,059)	11,000	(192,947)
Net assets at beginning of year	960,421	1,822,286	258,681	619,126	3,660,514
Transfer of unrestricted to board designated	<u>(284,819)</u>	<u>284,819</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets at end of year	<u>\$ 520,124</u>	<u>\$ 2,075,695</u>	<u>\$ 241,622</u>	<u>\$ 630,126</u>	<u>\$ 3,467,567</u>

The Notes to Financial Statements are an integral part of this statement.

MONTANA WILDERNESS ASSOCIATION  
STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2014

	Unrestricted				Total
	Unrestricted	Board Designated	Temporarily Restricted	Permanently Restricted	
<b>SUPPORT AND REVENUE</b>					
Membership dues	\$ 138,103	\$ -	\$ -	\$ -	\$ 138,103
Gifts	411,289	-	5,732	29,252	446,273
Grants	860,672	-	304,540	-	1,165,212
Investment income	823	156,705	75,322	-	232,850
Convention fees and special events	64,303	-	-	-	64,303
Merchandise sales, net of cost of goods sold of \$4,478	9,468	-	-	-	9,468
Miscellaneous receipts	444	-	-	-	444
	<u>1,485,102</u>	<u>156,705</u>	<u>385,594</u>	<u>29,252</u>	<u>2,056,653</u>
Net assets released from restrictions	325,767	-	(325,767)	-	-
Total support and revenue	<u>1,810,869</u>	<u>156,705</u>	<u>59,827</u>	<u>29,252</u>	<u>2,056,653</u>
<b>EXPENSES</b>					
Program services	1,420,682	-	-	-	1,420,682
Management and general	166,949	-	-	-	166,949
Fundraising	117,734	-	-	-	117,734
Total expenses	<u>1,705,365</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,705,365</u>
Changes in net assets	105,504	156,705	59,827	29,252	351,288
Net assets at beginning of year	956,100	1,564,398	198,854	589,874	3,309,226
Transfer of unrestricted to board designated net assets	(101,183)	101,183	-	-	-
Net assets at end of year	<u>\$ 960,421</u>	<u>\$ 1,822,286</u>	<u>\$ 258,681</u>	<u>\$ 619,126</u>	<u>\$ 3,660,514</u>

The Notes to Financial Statements are an integral part of this statement.

MONTANA WILDERNESS ASSOCIATION  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended September 30, 2015

EXPENSES	Program Services	Management and General	Fundraising	2015 Total
Awards and grants	\$ 68,960	\$ -	\$ -	\$ 68,960
Chapters	24,424	-	-	24,424
Communications	65,346	4,913	14,132	84,391
Conferences, conventions and meetings	11,346	1,179	3,033	15,558
Depreciation	20,026	4,210	3,508	27,744
Equipment purchase, rental and maintenance	18,840	3,147	3,158	25,145
Events	15,091	1,521	17,543	34,155
Merchandise	6,995	813	1,328	9,136
Membership recruitment	-	-	23,387	23,387
Miscellaneous	-	2,234	-	2,234
Occupancy	64,206	5,217	4,558	73,981
Office	100,627	12,264	22,802	135,693
Postage and delivery	8,093	5,183	10,309	23,585
Professional fees	95,503	19,667	5,799	120,969
Salaries, taxes and benefits	1,050,612	115,362	90,770	1,256,744
Telephone and internet	22,942	1,497	1,384	25,823
Training	1,702	1,729	1,516	4,947
Travel	73,603	7,641	3,611	84,855
Total expenses	<u>\$ 1,648,316</u>	<u>\$ 186,577</u>	<u>\$ 206,838</u>	<u>\$ 2,041,731</u>

The Notes to Financial Statements are an integral part of this statement.

MONTANA WILDERNESS ASSOCIATION  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended September 30, 2014

EXPENSES	Program Services	Management and General	Fundraising	2014 Total
Awards and grants	\$ 63,220	\$ 1,281	\$ 832	\$ 65,333
Chapters	43,591	-	-	43,591
Communications	101,089	18,624	12,106	131,819
Conferences, conventions and meetings	34,916	1,976	10,507	47,399
Depreciation	15,633	4,666	3,033	23,332
Equipment purchase, rental and maintenance	11,531	2,818	1,832	16,181
Events	26,113	4,308	2,800	33,221
Merchandise	2,291	481	313	3,085
Miscellaneous	2,782	430	274	3,486
Occupancy	49,745	5,807	3,775	59,327
Office	70,454	9,634	6,262	86,350
Postage and delivery	21,920	5,027	3,267	30,214
Professional fees	63,518	6,279	4,081	73,878
Salaries, taxes and benefits	791,078	96,620	62,803	950,501
Telephone and internet	18,913	1,811	1,177	21,901
Training	5,253	687	447	6,387
Travel	98,635	6,500	4,225	109,360
Total expenses	<u>\$ 1,420,682</u>	<u>\$ 166,949</u>	<u>\$ 117,734</u>	<u>\$ 1,705,365</u>

The Notes to Financial Statements are an integral part of this statement.

MONTANA WILDERNESS ASSOCIATION  
STATEMENTS OF CASH FLOWS  
For the Years Ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (192,947)	\$ 351,288
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	27,744	23,332
Realized and unrealized (gain) loss on investments	93,273	(187,440)
Loss on disposal of assets	2,211	922
Permanently restricted contribution	(11,000)	(29,252)
Changes in operating assets and liabilities:		
Accounts receivable	141,759	(245,557)
Inventory	(8,278)	267
Unemployment insurance reserve	1,588	(1,917)
Security deposits	(3,540)	1,370
Prepaid expenses	(26,767)	-
Accounts payable	(6,146)	(15,561)
Deferred revenue	-	52,800
Refundable deposit	900	-
Accrued payroll liabilities	35,986	(1,517)
Accrued property taxes	(3,921)	-
Accrued vacation liability	<u>1,420</u>	<u>8,441</u>
Net cash flows from operating activities	<u>52,282</u>	<u>(42,824)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investment securities	19,970	202,555
Purchase of investment securities	(359,494)	(171,701)
Purchase of property and equipment	<u>(15,441)</u>	<u>(66,719)</u>
Net cash flows from investing activities	<u>(354,965)</u>	<u>(35,865)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Mortgage principal payments	(18,626)	(17,907)
Contributions to permanently restricted funds	<u>11,000</u>	<u>29,252</u>
Net cash flows from financing activities	<u>(7,626)</u>	<u>11,345</u>
Net change in cash and cash equivalents	(310,309)	(67,344)
Cash and cash equivalents, beginning of year	<u>581,566</u>	<u>648,910</u>
Cash and cash equivalents, end of year	<u>\$ 271,257</u>	<u>\$ 581,566</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid for interest	<u>\$ 19,232</u>	<u>\$ 19,942</u>

The Notes to Financial Statements are an integral part of these statements.

MONTANA WILDERNESS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2015 and 2014

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization**

Montana Wilderness Association (the Association) is a Montana non-profit organization dedicated to the preservation of Montana wilderness, and the enhancement of the biological, cultural and economic values the Montana lands hold. The Association has six “chapters” and eight offices organized to serve the unique characteristics of Montana’s geographical areas. The Association achieves its goals largely through grants and membership support.

**Basis of Presentation**

The financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to non-profit organizations, as codified by the Financial Accounting Standards Board. Revenue is recognized when earned and expenses are recognized when incurred.

**Classification of Net Assets**

As required by GAAP, the accompanying financial statements have been prepared to focus on the Association as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of fund balances and transactions into the following classes of net assets:

*Unrestricted Net Assets* - Net assets that are not subject to donor-imposed stipulations and donor restricted contributions whose restrictions are met in the same reporting period.

*Council Designated Net Assets* - Net assets that are set aside for future use, under restrictions subject to Council approval. At September 30, 2015 and 2014, net assets in the amount of \$2,075,695 and \$1,822,286, respectively, were set aside in an endowment fund created to fund Council approved projects. During fiscal years ended September 30, 2015 and 2014, the Council approved transfer of \$284,819 and \$101,183, respectively, to the Council designated fund.

*Temporarily Restricted Net Assets* - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Association and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

*Permanently Restricted Net Assets* - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Association, but permit the Association to use all or part of the income earned and capital gains, if any, from the investment assets as support for general or specific purposes, unless otherwise specified by the donor.

Revenues are reported as increases in unrestricted net assets unless limited by donor-imposed restrictions. Contributed marketable securities and other noncash contributions are recorded as contributions at their estimated fair values at the date of contribution. Contributed services are reported in the financial statements if they meet the requirements of GAAP for recognition.

MONTANA WILDERNESS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2015 and 2014

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Classification of Net Assets (Continued)**

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Expirations of temporary restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Unconditional promises to give that are scheduled to be received after the balance sheet date are shown as increases to temporarily restricted net assets and are reclassified to unrestricted net assets when the cash is received and any purpose restrictions are met. Conditional grants and promises to give are not recognized until the conditions on which they depend are substantially met. The Association has been awarded conditional grants of \$178,141 and \$92,000 for programs planned for the next fiscal year at September 30, 2015 and 2014, respectively. Cash payments of \$52,800 received in advance of satisfaction of grant conditions are recorded as grant advances in the statement of financial position for each year ended September 30, 2015 and 2014.

**Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Association considers all checking, savings and money market instruments purchased with an original maturity date of three months or less to be cash and cash equivalents.

From time to time, certain bank accounts that are subject to limited FDIC coverage exceed their insured limits. The Association maintains cash balances at several financial institutions located in Montana. These balances are insured up to FDIC limits as provided by law. As of September 30, 2015, the uninsured portion of this balance was \$24,699. There were no uninsured balances at September 30, 2014.

The Council maintains cash, certificates of deposit and investments held in accounts established for use at its discretion.

In its capacity as fiscal sponsor, the Association maintains designated checking and savings accounts on behalf of these sponsored organizations. The Association also maintains designated accounts for its chapters and for certain funds at the request of the grantor.

MONTANA WILDERNESS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2015 and 2014

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Grant and Contracts Receivable**

Receivables are stated at unpaid balances, and management considers all receivables to be fully collectible. Uncollectible amounts are written-off directly based on specifically identified accounts if management determines the balance to be uncollectible.

**Inventory**

Inventory consists primarily of supplies and merchandise used for the annual meeting and other fundraising events and is stated at the lower of cost or market using the first-in first-out method.

**Investments**

In accordance with GAAP, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

**Property and Equipment**

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of the Association's assets (building and office and computer equipment) vary from 5 to 39 years. Assets with an estimated useful life exceeding one year and cost, if purchased, or fair value, if donated, of at least \$500 are capitalized.

**Donated Services**

Donated services are recognized as contributions in accordance with GAAP if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Association.

**Vacation Leave**

All regular full-time employees accrue vacation leave on a monthly basis at the rate of sixteen days per year for the first three years of employment. After three years, the annual accrual rate is nineteen days per year. After four years of employment, the accrual rate is twenty-four days per year. Accrued unused vacation leave shall be paid only upon termination.

**Income Taxes**

The Association is exempt from income taxes under the provision of §501(c)(3) of the U.S. Internal Revenue Code from payment of taxes on income derived from activities relating to its exempt purposes and classified by the IRS as other than a private foundation. Accordingly, no provision for income taxes is included in the accompanying financial statements.

The Association is generally no longer subject to examination by federal tax authorities for years before 2013.



MONTANA WILDERNESS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2015 and 2014

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Programs**

The Association focuses its efforts on four main programs: (a) Quiet Trails – community-based education and organizing efforts to protect underdeveloped public land from road construction and motorized recreation; (b) Wilderness Designation – to educate and mobilize citizens to protect public lands in Montana from resource development, road construction and motorized use so they can be preserved as wilderness; (c) Beaverhead-Deerlodge – collaborative work with nontraditional partners, engaging in community-based regional efforts to educate and mobilize citizens to support a plan in western Montana to protect public lands for wilderness, improve forest health and repair damaged watersheds; and (d) Rocky Mountain Front – community-based efforts to conserve the unique landscape of Montana’s Rocky Mountain Front.

**Advertising**

Advertising costs are expensed as incurred. Advertising expenses were \$8,474 and \$19,800 for the years ended September 30, 2015 and 2014, respectively.

**Functional Expenses**

The Association allocates its expenses on a functional basis among its various programs and offices. Expenses that can be identified with a specific program are allocated directly according to their natural expenditure classification. All others are allocated based on rates determined by the Council during the budgeting process.

**Reclassifications**

Certain prior year amounts have been reclassified to conform to current year presentation. The reclassification has no impact on previously reported net assets or changes in net assets.

**Subsequent Events**

Management has evaluated subsequent events through December 22, 2015, the date which the financial statements were issued.

MONTANA WILDERNESS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2015 and 2014

**NOTE 2. INVESTMENTS**

Investments are carried at fair value, and realized and unrealized losses are reflected in the statement of activities. The components of investments at September 30 are as follows:

	<u>Fair Value</u>	<u>Cost</u>	<u>Net Unrealized Gain</u>
<u>2015:</u>			
Long-term investments			
Mutual funds	\$ 2,774,088	\$ 2,473,390	\$ 300,698
Other	<u>155,290</u>	<u>100,938</u>	<u>54,352</u>
Total long-term investments	<u>\$ 2,929,378</u>	<u>\$ 2,574,328</u>	<u>\$ 355,050</u>
<u>2014:</u>			
Long-term investments			
Mutual funds	\$ 2,519,753	\$ 2,037,758	\$ 481,995
Other	<u>163,374</u>	<u>100,938</u>	<u>62,436</u>
Total long-term investments	<u>\$ 2,683,127</u>	<u>\$ 2,138,696</u>	<u>\$ 544,431</u>

Expenses related to investment revenues, including investment advisory fees, amounted to \$13,083 and \$13,866 for 2015 and 2014, respectively, and have been netted against investment revenues in the accompanying statement of activities.

The following summarizes the investment return and its classification in the statement of activities:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>2015:</u>			
Realized gains	\$ 2,887	\$ 8,225	\$ 11,112
Unrealized losses	<u>(69,196)</u>	<u>(35,189)</u>	<u>(104,385)</u>
Total losses	(66,309)	(26,964)	(93,273)
Dividends and interest, net of fees	<u>35,771</u>	<u>15,640</u>	<u>51,411</u>
Total investment return	<u>\$ (30,538)</u>	<u>\$ (11,324)</u>	<u>\$ (41,862)</u>
<u>2014:</u>			
Realized gains (losses)	\$ (26)	\$ 8,165	\$ 8,139
Unrealized gains	<u>124,385</u>	<u>54,903</u>	<u>179,288</u>
Total gains	124,359	63,068	187,427
Dividends and interest, net of fees	<u>33,169</u>	<u>12,254</u>	<u>45,423</u>
Total investment return	<u>\$ 157,528</u>	<u>\$ 75,322</u>	<u>\$ 232,850</u>

Temporarily restricted total investment return includes (\$1,250) and \$13,334 earnings (losses) on investments held at the Montana Community Foundation for the years ended September 30, 2015 and 2014, respectively, as more fully described in Note 4.

MONTANA WILDERNESS ASSOCIATION  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 September 30, 2015 and 2014

**NOTE 3. CASH AND CASH EQUIVALENTS**

The Association maintains funds designated for specific uses. Below is the reconciliation of all sources of cash and cash equivalents at September 30:

	<u>2015</u>	<u>2014</u>
Fiscal sponsor funds	\$ 17,333	\$ 19,230
Chapter	59,277	61,272
Council	-	402,551
Continental Divide Trail Montana	<u>51,943</u>	<u>14,549</u>
Total designated	128,553	497,602
Operating	<u>142,704</u>	<u>83,964</u>
Total cash and cash equivalents	<u>\$ 271,257</u>	<u>\$ 581,566</u>

**NOTE 4. MONTANA COMMUNITY FOUNDATION**

Two funds have been established at the Montana Community Foundation (MCF) on behalf of the Association. The first has been established to receive endowment contributions from donors who have designated the Association as the beneficiary. In accordance with GAAP, these assets are not included in the Association's Statement of Financial Position. The earnings on the endowment fund held at the MCF are paid to the beneficiary, namely the Association, at the discretion of the MCF's Board of Directors. Earnings distributed by MCF to the Association are recorded as contributions in the year of receipt. The total fair value of the endowment account that is not included in the Association's Statement of Financial Position is \$155,290 and \$163,374 as of September 30, 2015 and 2014, respectively.

A separate account has been established by the Association to hold and manage funds which it has provided with itself specified as the beneficiary. In accordance with GAAP, these assets are reported in the Association's statement of financial position. The terms of the agreement with MCF state that the Association will receive distributions of investment earnings.

**NOTE 5. FISCAL SPONSORSHIP**

The Association acts as a fiscal sponsor for education, research and advocacy projects as a service to individuals and organizations located in Montana that do not have 501(c)3 status with the Internal Revenue Service. These project sponsors must have goals that conform to the mission of the Association. As of September 30, 2015 and 2014, the groups included the Clancy-Unionville Task Force, Friends of the Rocky Mountain Front and the Rocky Mountain Front Photo Project.

MONTANA WILDERNESS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2015 and 2014

**NOTE 6. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Clancy-Unionville Task Force*	\$ 11,535	\$ 11,582
Friends of the Rocky Mountain Front*	1,054	2,908
Rocky Mountain Front Photo Project*	2,476	2,476
Western MT	3,000	-
Dividends, interest and gains on permanently restricted investment assets not yet appropriated	<u>223,557</u>	<u>241,715</u>
	<u>\$ 241,622</u>	<u>\$ 258,681</u>

\* The Association acts as a fiscal sponsor for these funds.

Net assets were released from donor-restrictions by incurring expenses satisfying the restricted purposes or by expiration of time as follows:

	<u>2015</u>	<u>2014</u>
Clancy-Unionville Task Force	\$ 45	\$ -
Friends of the Rocky Mountain Front	1,854	789
Forest Planning	128,800	-
CDT	54,551	-
Southwest MT	75,000	-
Prairie Wildlands	14,500	-
Northwest MT	56,999	-
Badger Two Medicine	55,100	-
PLPH - Advocacy	101,350	-
Roadless Lands	-	7,257
Beaverhead-Deer Lodge Project	30,000	47,500
Quiet Trails	-	109,482
Rocky Mountain Front	100	39,000
Wilderness Designation	-	82,250
Wilderness Walks	715	3,602
Other	<u>37,187</u>	<u>35,887</u>
	<u>\$ 556,201</u>	<u>\$ 325,767</u>

MONTANA WILDERNESS ASSOCIATION  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 September 30, 2015 and 2014

**NOTE 7. PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets consist of the following:

	<u>2015</u>	<u>2014</u>
<b>Managed Permanent Account</b>		
This donor-established fund holds annuities received by the Association. Fund earnings are available to support the general activities of the Association.	\$ 47,219	\$ 47,219
<b>Salera Endowment Fund</b>		
This fund was established to support the mission of the organization. Fund earnings are available to support the general activities of the Association.	85,500	85,500
<b>Forever Wild Endowment</b>		
This fund includes memorials and bequests received by the Association. Fund earnings are available to support the general activities of the Association.	<u>396,469</u>	<u>385,469</u>
<b>Total funds managed by the Association</b>	<u>529,188</u>	<u>518,188</u>
<b>Montana Community Foundation Forever Wild Endowment</b>		
This fund is managed by the Montana Community Foundation for the benefit of the Association. Fund earnings are available to support the general activities of the Association.	<u>100,938</u>	<u>100,938</u>
Total permanently restricted net assets	<u>\$ 630,126</u>	<u>\$ 619,126</u>

**NOTE 8. LEASES**

The Association leases office space under a number of operating leases. Total office rent expense was \$44,999 and \$29,005 for the years ended September 30, 2015 and 2014, respectively. The majority of leases are month-to-month or for terms not exceeding one year.

The following is a schedule by year of the minimum future rental expense on non-cancelable operating leases as of September 30, 2015:

2016	\$ <u>24,348</u>
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MONTANA WILDERNESS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2015 and 2014

**NOTE 9. 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). The three levels of the fair value hierarchy are described as follows:

**Basis of Fair Value Measurement**

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access;

Level 2: Inputs to the valuation methodology include:

- 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 assets 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.

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

The Association's policy for determining the timing of significant transfers between levels 1, 2, and 3 is at the end of the reporting period.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2015 and 2014.

*Mutual funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the Association are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Association are deemed to be actively traded.

*Other:* Valued at the end of year statement balance provided by Montana Community Foundation utilizing its adopted valuation methodologies.

MONTANA WILDERNESS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2015 and 2014

**NOTE 9. FAIR VALUE MEASUREMENTS (CONTINUED)**

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 Association 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 table sets forth, by level, within the fair value hierarchy, the Association's investments at fair value as of September 30, 2015 and 2014:

	Fair Value Measurements as of September 30, 2015			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual Funds				
Foreign large blend	\$ 663,261	\$ -	\$ -	\$ 663,261
Large blend	985,313	-	-	985,313
Corporate bond	231,635	-	-	231,635
Intermediate-term bond	471,580	-	-	471,580
Short-term bond	173,670	-	-	173,670
World bond	248,629	-	-	248,629
Other				
Montana Community Foundation	-	155,290	-	155,290
	<u>\$ 2,774,088</u>	<u>\$ 155,290</u>	<u>\$ -</u>	<u>\$ 2,929,378</u>
	Fair Value Measurements as of September 30, 2014			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual Funds				
Foreign large blend	\$ 413,720	\$ -	\$ -	\$ 413,720
Large blend	1,139,391	-	-	1,139,391
Corporate bond	233,679	-	-	233,679
Intermediate-term bond	389,415	-	-	389,415
Short-term bond	150,786	-	-	150,786
World bond	192,762	-	-	192,762
Other				
Montana Community Foundation	-	163,374	-	163,374
	<u>\$ 2,519,753</u>	<u>\$ 163,374</u>	<u>\$ -</u>	<u>\$ 2,683,127</u>

MONTANA WILDERNESS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2015 and 2014

**NOTE 10. ENDOWMENT NET ASSETS**

The Association's endowment consists of numerous individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Council to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Council to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. As of September 30, 2015 and 2014, the Council had designated \$2,075,695 and \$1,822,286, respectively, of unrestricted net assets as a general endowment fund to support the mission of the Association. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

*Interpretation of Relevant Law*

The Council 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 Association 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) any 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 Association in a manner consistent with the standard of prudence prescribed by MUPMIFA.

In accordance with MUPMIFA, the Association 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 Association 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 Association; and
- (6) The investment policies of the Association.



MONTANA WILDERNESS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2015 and 2014

**NOTE 10. ENDOWMENT NET ASSETS (CONTINUED)**

Endowment net asset composition by type of fund as of September 30, 2015 and 2014 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
2015:				
Board designated endowment	\$ 2,075,695	\$ -	\$ -	\$ 2,075,695
Donor endowment funds	<u>-</u>	<u>169,205</u>	<u>529,188</u>	<u>698,393</u>
Total Association endowments	2,075,695	169,205	529,188	2,774,088
Montana Community Foundation	<u>-</u>	<u>54,352</u>	<u>100,938</u>	<u>155,290</u>
	<u>\$ 2,075,695</u>	<u>\$ 223,557</u>	<u>\$ 630,126</u>	<u>\$ 2,929,378</u>
2014:				
Board designated endowment	\$ 1,822,286	\$ -	\$ -	\$ 1,822,286
Donor endowment funds	<u>-</u>	<u>179,279</u>	<u>518,188</u>	<u>697,467</u>
Total Association endowments	1,822,286	179,279	518,188	2,519,753
Montana Community Foundation	<u>-</u>	<u>62,436</u>	<u>100,938</u>	<u>163,374</u>
	<u>\$ 1,822,286</u>	<u>\$ 241,715</u>	<u>\$ 619,126</u>	<u>\$ 2,683,127</u>

The change in net asset composition by type of fund for the years ended September 30, 2015 and 2014 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, October 1, 2013	<u>\$ 1,564,398</u>	<u>\$ 117,291</u>	<u>\$ 488,936</u>	<u>\$ 2,170,625</u>
Investment return:				
Net appreciation	<u>156,705</u>	<u>61,988</u>	<u>-</u>	<u>218,693</u>
Total investment return	<u>156,705</u>	<u>61,988</u>	<u>-</u>	<u>218,693</u>
Contributions	<u>101,183</u>	<u>-</u>	<u>29,252</u>	<u>130,435</u>
Endowment net assets, September 30, 2014	1,822,286	179,279	518,188	2,519,753
Investment return:				
Net appreciation (depreciation)	<u>(31,410)</u>	<u>(10,074)</u>	<u>-</u>	<u>(41,484)</u>
Total investment return	<u>(31,410)</u>	<u>(10,074)</u>	<u>-</u>	<u>(41,484)</u>
Contributions	284,819	-	11,000	295,819
Endowment net assets, September 30, 2015	2,075,695	169,205	529,188	2,774,088
Montana Community Foundation	<u>-</u>	<u>54,352</u>	<u>100,938</u>	<u>155,290</u>
Total net assets per statement of financial position, September 30, 2015	<u>\$ 2,075,695</u>	<u>\$ 223,557</u>	<u>\$ 630,126</u>	<u>\$ 2,929,378</u>

MONTANA WILDERNESS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2015 and 2014

**NOTE 10. 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 Association to retain as a fund of perpetual duration. Funds with deficiencies totaled \$3,811 and \$3,198 as of September 30, 2015 and 2014, respectively. 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 Council.

Under this policy, as approved by the Council, 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 Association 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 Association 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 Association 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 the Investment Objectives Relate to Spending Policy*

The Association has a policy of appropriating for distribution each year up to 5.0 percent of its endowment fund's average fair value over the prior three years through the calendar year-end preceding the fiscal year in which the distribution is planned. The Council may approve special draws from the Council-designated funds. In establishing this policy, the Association considered the long-term expected return on its endowment. Accordingly, over the long term, the Association expects the current spending policy to allow its endowment to grow. This is consistent with the Association'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 11. SELF INSURANCE AND UNEMPLOYMENT RESERVE**

Pursuant to State of Montana regulations applicable to non-profit organizations, the Association has elected to be self-insured on claims for unemployment compensation. The Association incurred \$3,205 and \$476 in claims for unemployment as of September 30, 2015 and 2014, respectively. Management has not recorded a liability for claims incurred but not reported because management believes the amount of the estimate is not material to the financial statements taken as a whole.

MONTANA WILDERNESS ASSOCIATION  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 September 30, 2015 and 2014

**NOTE 11. SELF INSURANCE AND UNEMPLOYMENT RESERVE (CONTINUED)**

The Association is part of a non-profit unemployment insurance cooperative, in which the Association pays funds into a pool to cover potential unemployment insurance costs. The Association maintains ownership of these funds, earns interest on these funds, and if the Association were ever to leave the cooperative, the Association would have access to these funds. The total amount of the Association's unemployment insurance reserve account at September 30, 2015 and 2014 was \$25,291 and \$26,879, respectively.

**NOTE 12. MORTGAGE PAYABLE**

The mortgage payable represents a permanent building loan provided by Valley Bank of Helena. The note, originally in the amount of \$525,000, is dated May 23, 2013, and matures May 23, 2033. Monthly installments are payable in the amount of \$3,155, including interest at a rate of 3.9% per annum. The building serves as collateral for the note.

	<u>2015</u>	<u>2014</u>
Balance September 30	\$ 483,174	\$ 501,800
Less current portion	<u>(19,327)</u>	<u>(18,610)</u>
	<u>\$ 463,847</u>	<u>\$ 483,190</u>

Maturities of the mortgage note in each of the next five years are as follows:

2016	\$ 19,327
2017	20,138
2018	20,924
2019	21,755
2020	22,607
Thereafter	<u>378,423</u>
	<u>\$ 483,174</u>

**NOTE 13. DONATED SERVICES**

Numerous volunteers have donated significant amounts of time to the Association's Continental Divide Trail and Wilderness Walks programs. No amounts have been recognized in the financial statements for these contributed services because they did not meet the criteria for recognition under GAAP.

MONTANA WILDERNESS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2015 and 2014

**NOTE 14. COMMITMENTS AND CONTINGENCIES**

Involvement in legal action is inherent with the objectives of the Association. The Association is currently a co-plaintiff in various lawsuits regarding land resource issues. None of these lawsuits involve monetary damages which benefit the Association. Should any of the current legal activities result in a decision unfavorable to the Association, costs are expensed as incurred. Management believes that any possible loss would not be material.



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