

**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, 2016 and 2015**



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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, 2016 and 2015, 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, 2016 and 2015, 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  
January 18, 2017

FINANCIAL STATEMENTS

MONTANA WILDERNESS ASSOCIATION  
STATEMENTS OF FINANCIAL POSITION  
September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 189,977	\$ 271,257
Grants and contracts receivable	88,418	103,798
Inventory	6,875	14,660
Prepaid expenses	<u>20,667</u>	<u>26,767</u>
Total current assets	<u>305,937</u>	<u>416,482</u>
LONG-TERM INVESTMENTS		
Endowment funds	729,790	698,393
Montana Community Foundation	157,577	155,290
Council designated	<u>2,174,420</u>	<u>2,075,695</u>
Total long-term investments	<u>3,061,787</u>	<u>2,929,378</u>
PROPERTY AND EQUIPMENT		
Land	84,000	84,000
Building	622,518	622,518
Building improvements	63,602	63,602
Furniture and equipment	<u>59,438</u>	<u>47,500</u>
Total property and equipment	829,558	817,620
Less: accumulated depreciation	<u>(92,430)</u>	<u>(64,682)</u>
Total property and equipment	<u>737,128</u>	<u>752,938</u>
OTHER ASSETS		
Unemployment insurance reserve	26,388	25,291
Security deposits	<u>3,540</u>	<u>3,540</u>
Total other assets	<u>29,928</u>	<u>28,831</u>
Total assets	<u>\$ 4,134,780</u>	<u>\$ 4,127,629</u>

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

MONTANA WILDERNESS ASSOCIATION  
STATEMENTS OF FINANCIAL POSITION (CONTINUED)  
September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 22,340	\$ 22,114
Refundable deposit	-	900
Grant advances	-	52,800
Accrued vacation	49,256	44,567
Accrued payroll liabilities	60,551	56,507
Mortgage payable, current portion	<u>20,138</u>	<u>19,327</u>
Total current liabilities	<u>152,285</u>	<u>196,215</u>
LONG-TERM LIABILITIES		
Mortgage payable, net of current portion	<u>443,676</u>	<u>463,847</u>
Total liabilities	<u>595,961</u>	<u>660,062</u>
NET ASSETS		
Unrestricted:		
Undesignated	462,138	520,124
Designated:		
Council designated funds	<u>2,174,420</u>	<u>2,075,695</u>
Total unrestricted	2,636,558	2,595,819
Temporarily restricted	271,135	241,622
Permanently restricted	<u>631,126</u>	<u>630,126</u>
Total net assets	<u>3,538,819</u>	<u>3,467,567</u>
Total liabilities and net assets	<u>\$ 4,134,780</u>	<u>\$ 4,127,629</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, 2016

	Unrestricted				Total
	Unrestricted	Board Designated	Temporarily Restricted	Permanently Restricted	
<b>SUPPORT AND REVENUE</b>					
Membership dues	\$ 160,092	\$ -	\$ -	\$ -	\$ 160,092
Gifts	611,410	-	37,715	1,000	650,125
Grants	581,068	-	580,100	-	1,161,168
Investment income	36	194,380	74,167	-	268,583
Convention fees and special events	20,842	-	-	-	20,842
Merchandise sales, net of cost of goods sold of \$5,605	10,278	-	-	-	10,278
	<u>1,383,726</u>	<u>194,380</u>	<u>691,982</u>	<u>1,000</u>	<u>2,271,088</u>
Net assets released from restrictions	758,124	(95,655)	(662,469)	-	-
Total support and revenue	<u>2,141,850</u>	<u>98,725</u>	<u>29,513</u>	<u>1,000</u>	<u>2,271,088</u>
<b>EXPENSES</b>					
Program services	1,784,805	-	-	-	1,784,805
Management and general	209,054	-	-	-	209,054
Fundraising	205,977	-	-	-	205,977
Total expenses	<u>2,199,836</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,199,836</u>
Changes in net assets	(57,986)	98,725	29,513	1,000	71,252
Net assets at beginning of year	<u>520,124</u>	<u>2,075,695</u>	<u>241,622</u>	<u>630,126</u>	<u>3,467,567</u>
Net assets at end of year	<u>\$ 462,138</u>	<u>\$ 2,174,420</u>	<u>\$ 271,135</u>	<u>\$ 631,126</u>	<u>\$ 3,538,819</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, 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	<u>1,594</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,594</u>
	1,330,052	(31,410)	539,142	11,000	1,848,784
Net assets released from restrictions	<u>556,201</u>	<u>-</u>	<u>(556,201)</u>	<u>-</u>	<u>-</u>
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	<u>206,838</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>206,838</u>
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 net assets	<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 FUNCTIONAL EXPENSES**  
For the Year Ended September 30, 2016

EXPENSES	Program Services	Management and General	Fundraising	2016 Total
Awards and grants	\$ 31,688	\$ 1,321	\$ 60	\$ 33,069
Chapters	28,066	-	-	28,066
Communications	131,525	2,935	24,910	159,370
Conferences, conventions and meetings	9,560	972	1,417	11,949
Depreciation	21,459	3,675	5,282	30,416
Equipment purchase, rental and maintenance	7,832	1,713	2,408	11,953
Events	12,826	912	50	13,788
Merchandise	6,227	1,368	707	8,302
Membership recruitment	-	-	20,136	20,136
Miscellaneous	1,946	95	95	2,136
Occupancy	66,059	6,952	6,232	79,243
Office	64,306	12,372	8,296	84,974
Trail Supplies	33,509	-	-	33,509
Postage and delivery	7,741	2,602	6,588	16,931
Professional fees	80,786	15,109	13,544	109,439
Salaries, taxes and benefits	1,183,643	152,822	104,116	1,440,581
Telephone and internet	22,048	2,501	1,628	26,177
Training	3,573	631	2,260	6,464
Travel	72,011	3,074	8,248	83,333
Total expenses	<u>\$ 1,784,805</u>	<u>\$ 209,054</u>	<u>\$ 205,977</u>	<u>\$ 2,199,836</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**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 71,252	\$ (192,947)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	30,415	27,744
Realized and unrealized (gain) loss on investments	(213,805)	93,273
(Gain) loss on disposal of assets	(167)	2,211
Permanently restricted contribution	(1,000)	(11,000)
Changes in operating assets and liabilities:		
Accounts receivable	15,380	141,759
Inventory	7,785	(8,278)
Unemployment insurance reserve	(1,097)	1,588
Security deposits	-	(3,540)
Prepaid expenses	6,100	(26,767)
Accounts payable	226	(6,146)
Deferred revenue	(52,800)	-
Refundable deposit	(900)	900
Accrued payroll liabilities	4,044	35,986
Accrued property taxes	-	(3,921)
Accrued vacation liability	<u>4,689</u>	<u>1,420</u>
Net cash flows from operating activities	<u>(129,878)</u>	<u>52,282</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investment securities	246,109	19,970
Purchase of investment securities	(148,945)	(359,494)
Change in restricted cash	(15,768)	-
Purchase of property and equipment	<u>(14,438)</u>	<u>(15,441)</u>
Net cash flows from investing activities	<u>66,958</u>	<u>(354,965)</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Mortgage principal payments	(19,360)	(18,626)
Contributions to permanently restricted funds	<u>1,000</u>	<u>11,000</u>
Net cash flows from financing activities	<u>(18,360)</u>	<u>(7,626)</u>
 Net change in cash and cash equivalents	(81,280)	(310,309)
Cash and cash equivalents, beginning of year	<u>271,257</u>	<u>581,566</u>
Cash and cash equivalents, end of year	<u>\$ 189,977</u>	<u>\$ 271,257</u>
 <b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid for interest	<u>\$ 18,505</u>	<u>\$ 19,232</u>

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

MONTANA WILDERNESS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2016 and 2015

**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 seven “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, 2016 and 2015, net assets in the amount of \$2,174,420 and \$2,075,695, respectively, were set aside in an endowment fund created to fund Council approved projects. During fiscal years ended September 30, 2016 and 2015, the Council approved transfer of \$-0- and \$284,819, 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, 2016 and 2015

**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 \$184,670 and \$178,141 for programs planned for the next fiscal year at September 30, 2016 and 2015, respectively. Cash payments of \$-0- and \$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, 2016 and 2015, respectively.

**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, 2016 and 2015, the uninsured portion of this balance was \$218 and \$24,699, respectively.

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, 2016 and 2015

**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 \$1,000 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.



MONTANA WILDERNESS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2016 and 2015

**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 \$90,012 and \$8,474 for the years ended September 30, 2016 and 2015, 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 January 18, 2017, the date which the financial statements were issued.

MONTANA WILDERNESS ASSOCIATION  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 September 30, 2016 and 2015

**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>2016:</u>			
Long-term investments			
Mutual funds	\$ 2,904,210	\$ 2,452,143	\$ 452,067
Other	<u>157,577</u>	<u>100,938</u>	<u>56,639</u>
Total long-term investments	<u>\$ 3,061,787</u>	<u>\$ 2,553,081</u>	<u>\$ 508,706</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>

Expenses related to investment revenues, including investment advisory fees, amounted to \$13,972 and \$13,083 for 2016 and 2015, 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>2016:</u>			
Realized gains	\$ 75	\$ 10,988	\$ 11,063
Unrealized gains	<u>153,926</u>	<u>48,816</u>	<u>202,742</u>
Total gains	154,001	59,804	213,805
Dividends and interest, net of fees	<u>40,415</u>	<u>14,363</u>	<u>54,778</u>
Total investment return	<u>\$ 194,416</u>	<u>\$ 74,167</u>	<u>\$ 268,583</u>
<u>2015:</u>			
Realized gains (losses)	\$ 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>

Temporarily restricted total investment return includes net investment income of \$9,437 and net investment losses of (\$1,250) on investments held at the Montana Community Foundation for the years ended September 30, 2016 and 2015, respectively, as more fully described in Note 4.

MONTANA WILDERNESS ASSOCIATION  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 September 30, 2016 and 2015

**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>2016</u>	<u>2015</u>
Fiscal sponsor funds	\$ 16,232	\$ 17,333
Chapter	71,921	59,277
Council	-	-
Continental Divide Trail Montana	<u>9,519</u>	<u>51,943</u>
Total designated	97,672	128,553
Operating	<u>92,305</u>	<u>142,704</u>
Total cash and cash equivalents	<u>\$ 189,977</u>	<u>\$ 271,257</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 \$173,398 and \$170,092 as of September 30, 2016 and 2015, 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, 2016 and 2015, 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, 2016 and 2015

**NOTE 6. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Clancy-Unionville Task Force*	\$ 11,414	\$ 11,535
Friends of the Rocky Mountain Front*	-	1,054
Rocky Mountain Front Photo Project*	2,428	2,476
Western MT	-	3,000
Badger Two Medicine	1,052	-
Dividends, interest and gains on permanently restricted investment assets not yet appropriated	<u>256,241</u>	<u>223,557</u>
	<u>\$ 271,135</u>	<u>\$ 241,622</u>

\* The Association acts as a fiscal sponsor for these funds, as described in Note 5.

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

	<u>2016</u>	<u>2015</u>
Clancy-Unionville Task Force	\$ 120	\$ 45
Friends of the Rocky Mountain Front	1,054	1,854
Forest Planning	128,125	128,800
CDT	41,380	54,551
Southwest MT	20,100	75,000
Prairie Wildlands	-	14,500
Northwest MT	51,000	56,999
Badger Two Medicine	147,498	55,100
PLPH - Advocacy	153,200	101,350
Western MT	5,500	-
Beaverhead-Deer Lodge Project	45,025	30,000
Rocky Mountain Front	100	100
Wilderness Walks	85	715
Other	<u>27,798</u>	<u>37,187</u>
	<u>\$ 620,985</u>	<u>\$ 556,201</u>

MONTANA WILDERNESS ASSOCIATION  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 September 30, 2016 and 2015

**NOTE 7. PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets consist of the following:

	<u>2016</u>	<u>2015</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>397,469</u>	<u>396,469</u>
<b>Total funds managed by the Association</b>	<u>530,188</u>	<u>529,188</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>\$ 631,126</u>	<u>\$ 630,126</u>

**NOTE 8. LEASES**

The Association leases office space under a number of operating leases. Total office rent expense was \$51,566 and \$44,999 for the years ended September 30, 2016 and 2015, 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, 2016:

2017	\$ <u>12,448</u>
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MONTANA WILDERNESS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2016 and 2015

**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, 2016 and 2015.

*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, 2016 and 2015

**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, 2016 and 2015:

	Fair Value Measurements as of September 30, 2016			
	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	\$ 706,639	\$ -	\$ -	\$ 706,639
Large blend	1,071,821	-	-	1,071,821
Corporate bond	233,003	-	-	233,003
Intermediate-term bond	470,807	-	-	470,807
Short-term bond	166,666	-	-	166,666
World bond	255,274	-	-	255,274
Other				
Montana Community Foundation	-	157,577	-	157,577
	<u>\$ 2,904,210</u>	<u>\$ 157,577</u>	<u>\$ -</u>	<u>\$ 3,061,787</u>
	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>

MONTANA WILDERNESS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2016 and 2015

**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, 2016 and 2015, the Council had designated \$2,174,420 and \$2,075,695, 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, 2016 and 2015

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

Endowment net asset composition by type of fund as of September 30, 2016 and 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
2016:				
Board designated endowment	\$ 2,174,420	\$ -	\$ -	\$ 2,174,420
Donor endowment funds	<u>-</u>	<u>199,602</u>	<u>530,188</u>	<u>729,790</u>
Total Association endowments	2,174,420	199,602	530,188	2,904,210
Montana Community Foundation	<u>-</u>	<u>56,639</u>	<u>100,938</u>	<u>157,577</u>
	<u>\$ 2,174,420</u>	<u>\$ 256,241</u>	<u>\$ 631,126</u>	<u>\$ 3,061,787</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>

The change in net asset composition by type of fund for the years ended September 30, 2016 and 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, October 1, 2014	<u>\$ 1,822,286</u>	<u>\$ 179,279</u>	<u>\$ 518,188</u>	<u>\$ 2,519,753</u>
Investment return:				
Net (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	<u>284,819</u>	<u>-</u>	<u>11,000</u>	<u>295,819</u>
Endowment net assets, September 30, 2015	2,075,695	169,205	529,188	2,774,088
Investment return:				
Net appreciation	<u>194,380</u>	<u>64,730</u>	<u>-</u>	<u>259,110</u>
Total investment return	<u>194,380</u>	<u>64,730</u>	<u>-</u>	<u>259,110</u>
Contributions	-	-	1,000	1,000
Appropriation for expenditure	<u>(95,655)</u>	<u>(34,333)</u>	<u>-</u>	<u>(129,988)</u>
Endowment net assets, September 30, 2016	2,174,420	199,602	530,188	2,904,210
Montana Community Foundation	<u>-</u>	<u>56,639</u>	<u>100,938</u>	<u>157,577</u>
Total net assets per statement of financial position, September 30, 2016	<u>\$ 2,174,420</u>	<u>\$ 256,241</u>	<u>\$ 631,126</u>	<u>\$ 3,061,787</u>

MONTANA WILDERNESS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2016 and 2015

**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 \$1,947 and \$3,811 as of September 30, 2016 and 2015, 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 \$3,882 and \$3,205 in claims for unemployment as of September 30, 2016 and 2015, 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, 2016 and 2015

**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, 2016 and 2015 was \$26,388 and \$25,291, 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>2016</u>	<u>2015</u>
Balance September 30	\$ 463,814	\$ 483,174
Less current portion	<u>(20,138)</u>	<u>(19,327)</u>
	<u>\$ 443,676</u>	<u>\$ 463,847</u>

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

2017	\$ 20,138
2018	20,924
2019	21,755
2020	22,607
2021	23,527
Thereafter	<u>354,863</u>
	<u>\$ 463,814</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, 2016 and 2015

**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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