

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, 2017 and 2016



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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, 2017 and 2016, 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 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 Montana Wilderness Association as of September 30, 2017 and 2016, 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
February 26, 2018

FINANCIAL STATEMENTS

MONTANA WILDERNESS ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 297,481	\$ 189,977
Grants and contracts receivable	62,701	88,418
Inventory	9,192	6,875
Prepaid expenses	<u>1,448</u>	<u>20,667</u>
Total current assets	<u>370,822</u>	<u>305,937</u>
LONG-TERM INVESTMENTS		
Endowment funds	785,324	729,790
Montana Community Foundation	165,669	157,577
Council designated	<u>2,295,463</u>	<u>2,174,420</u>
Total long-term investments	<u>3,246,456</u>	<u>3,061,787</u>
PROPERTY AND EQUIPMENT		
Land	84,000	84,000
Building	622,518	622,518
Building improvements	100,343	63,602
Furniture and equipment	<u>59,438</u>	<u>59,438</u>
Total property and equipment	866,299	829,558
Less: accumulated depreciation	<u>(124,100)</u>	<u>(92,430)</u>
Total property and equipment	<u>742,199</u>	<u>737,128</u>
OTHER ASSETS		
Unemployment insurance reserve	21,371	26,388
Security deposits	<u>6,540</u>	<u>3,540</u>
Total other assets	<u>27,911</u>	<u>29,928</u>
Total assets	<u>\$ 4,387,388</u>	<u>\$ 4,134,780</u>

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

MONTANA WILDERNESS ASSOCIATION
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 29,540	\$ 22,340
Refundable deposit	50	-
Grant advances	168,800	-
Accrued vacation	47,899	49,256
Accrued payroll liabilities	58,916	60,551
Mortgage payable, current portion	<u>20,859</u>	<u>20,138</u>
Total current liabilities	<u>326,064</u>	<u>152,285</u>
LONG-TERM LIABILITIES		
Mortgage payable, net of current portion	<u>423,513</u>	<u>443,676</u>
Total liabilities	<u>749,577</u>	<u>595,961</u>
NET ASSETS		
Unrestricted:		
Undesignated	365,555	462,138
Designated:		
Council designated funds	<u>2,295,463</u>	<u>2,174,420</u>
Total unrestricted	2,661,018	2,636,558
Temporarily restricted	342,167	271,135
Permanently restricted	<u>634,626</u>	<u>631,126</u>
Total net assets	<u>3,637,811</u>	<u>3,538,819</u>
Total liabilities and net assets	<u>\$ 4,387,388</u>	<u>\$ 4,134,780</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, 2017

	Unrestricted		Temporarily Restricted	Permanently Restricted	Total
	Unrestricted	Board Designated			
SUPPORT AND REVENUE					
Membership dues	\$ 141,183	\$ -	\$ -	\$ -	\$ 141,183
Gifts	455,763	-	58,707	3,500	517,970
Grants	913,245	-	419,200	-	1,332,445
Investment income	605	232,833	94,335	-	327,773
Convention fees and special events	26,940	-	-	-	26,940
Merchandise sales, net of cost of goods sold of \$2,111	2,852	-	-	-	2,852
	<u>1,540,588</u>	<u>232,833</u>	<u>572,242</u>	<u>3,500</u>	<u>2,349,163</u>
Net assets released from restrictions	<u>613,000</u>	<u>(111,790)</u>	<u>(501,210)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>2,153,588</u>	<u>121,043</u>	<u>71,032</u>	<u>3,500</u>	<u>2,349,163</u>
EXPENSES					
Program services	1,847,335	-	-	-	1,847,335
Management and general	230,142	-	-	-	230,142
Fundraising	172,694	-	-	-	172,694
Total expenses	<u>2,250,171</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,250,171</u>
Changes in net assets	(96,583)	121,043	71,032	3,500	98,992
Net assets at beginning of year	<u>462,138</u>	<u>2,174,420</u>	<u>271,135</u>	<u>631,126</u>	<u>3,538,819</u>
Net assets at end of year	<u>\$ 365,555</u>	<u>\$ 2,295,463</u>	<u>\$ 342,167</u>	<u>\$ 634,626</u>	<u>\$ 3,637,811</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, 2016

	Unrestricted			Total	
	Unrestricted	Board Designated	Temporarily Restricted		Permanently Restricted
SUPPORT AND REVENUE					
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	<u>758,124</u>	<u>(95,655)</u>	<u>(662,469)</u>	<u>-</u>	<u>-</u>
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>
EXPENSES					
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 FUNCTIONAL EXPENSES
For the Year Ended September 30, 2017

EXPENSES	Program Services	Management and General	Fundraising	2017 Total
Awards and grants	\$ 35,584	\$ 15,252	\$ 48	\$ 50,884
Chapters	35,968	-	-	35,968
Communications	111,533	3,491	26,709	141,733
Conferences, conventions and meetings	30,619	-	-	30,619
Depreciation	23,830	4,948	2,892	31,670
Equipment purchase, rental and maintenance	20,030	3,312	2,641	25,983
Events	10,839	388	2,911	14,138
Merchandise	3,159	468	2,150	5,777
Membership recruitment	-	-	19,991	19,991
Miscellaneous	5,627	518	23	6,168
Occupancy	78,352	5,284	3,039	86,675
Office	70,790	21,041	10,482	102,313
Trail Supplies	23,431	-	-	23,431
Postage and delivery	9,933	1,047	12,823	23,803
Professional fees	91,258	35,817	5,359	132,434
Salaries, taxes and benefits	1,213,079	129,654	62,312	1,405,045
Telephone and internet	21,846	2,396	734	24,976
Training	1,934	1,107	9,018	12,059
Travel	59,523	5,419	11,562	76,504
Total expenses	<u>\$ 1,847,335</u>	<u>\$ 230,142</u>	<u>\$ 172,694</u>	<u>\$ 2,250,171</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
STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 98,992	\$ 71,252
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	31,670	30,415
Realized and unrealized (gain) loss on investments	(270,748)	(213,805)
(Gain) on disposal of assets	-	(167)
Permanently restricted contribution	(3,500)	(1,000)
Changes in operating assets and liabilities:		
Accounts receivable	25,717	15,380
Inventory	(2,317)	7,785
Unemployment insurance reserve	5,017	(1,097)
Security deposits	(3,000)	-
Prepaid expenses	19,219	6,100
Accounts payable	7,200	226
Grant advances	168,800	(52,800)
Refundable deposit	50	(900)
Accrued payroll liabilities	(1,635)	4,044
Accrued vacation liability	<u>(1,357)</u>	<u>4,689</u>
Net cash flows from operating activities	<u>74,108</u>	<u>(129,878)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investment securities	205,746	246,109
Purchase of investment securities	(116,089)	(148,945)
Change in restricted cash	(3,578)	(15,768)
Purchase of property and equipment	<u>(36,741)</u>	<u>(14,438)</u>
Net cash flows from investing activities	<u>49,338</u>	<u>66,958</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Mortgage principal payments	(19,442)	(19,360)
Contributions to permanently restricted funds	<u>3,500</u>	<u>1,000</u>
Net cash flows from financing activities	<u>(15,942)</u>	<u>(18,360)</u>
 Net change in cash and cash equivalents	107,504	(81,280)
Cash and cash equivalents, beginning of year	<u>189,977</u>	<u>271,257</u>
Cash and cash equivalents, end of year	<u>\$ 297,481</u>	<u>\$ 189,977</u>
 SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 18,415</u>	<u>\$ 18,505</u>

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

MONTANA WILDERNESS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

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, 2017 and 2016, net assets in the amount of \$2,295,463 and \$2,174,420, respectively, were set aside in an endowment fund created to fund Council approved projects. During fiscal years ended September 30, 2017 and 2016, the Council did not transfer any funds 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, 2017 and 2016

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 \$104,334 and \$184,670 for programs planned for the next fiscal year at September 30, 2017 and 2016, respectively. Cash payments of \$168,800 and \$-0- 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, 2017 and 2016, 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, 2017 and 2016, the uninsured portion of this balance was \$83,451 and \$218, 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 ended the fiscal sponsor relationship during 2017. 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, 2017 and 2016

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 \$5,000 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, 2017 and 2016

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) Public lands in public hands – statewide efforts to mobilize citizens to speak up for the protection and management of all public lands held for the benefit of this generation and those following; and (d) Stewardship – to help maintain trails and active use of wilderness areas by the public.

Advertising

Advertising costs are expensed as incurred. Advertising expenses were \$82,251 and \$90,012 for the years ended September 30, 2017 and 2016, 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 February 26, 2018, the date which the financial statements were issued.

MONTANA WILDERNESS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2017 and 2016

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>2017:</u>			
Long-term investments			
Mutual funds	\$ 3,080,788	\$ 2,430,240	\$ 650,548
Other	<u>165,668</u>	<u>100,938</u>	<u>64,730</u>
Total long-term investments	<u>\$ 3,246,456</u>	<u>\$ 2,531,178</u>	<u>\$ 715,278</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>

Expenses related to investment revenues, including investment advisory fees, amounted to \$14,243 and \$13,972 for 2017 and 2016, 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>2017:</u>			
Realized gains (losses)	\$ (309)	\$ 10,947	\$ 10,638
Unrealized gains	<u>190,270</u>	<u>69,840</u>	<u>260,110</u>
Total gains	189,961	80,787	270,748
Dividends and interest, net of fees	<u>43,477</u>	<u>13,548</u>	<u>57,025</u>
Total investment return	<u>\$ 233,438</u>	<u>\$ 94,335</u>	<u>\$ 327,773</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>

Temporarily restricted total investment return includes net investment income of \$15,301 and \$9,437 on investments held at the Montana Community Foundation for the years ended September 30, 2017 and 2016, respectively, as more fully described in Note 4.

MONTANA WILDERNESS ASSOCIATION
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 September 30, 2017 and 2016

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>2017</u>	<u>2016</u>
Fiscal sponsor funds	\$ -	\$ 16,232
Chapter	63,277	71,921
Continental Divide Trail Montana	<u>103</u>	<u>9,519</u>
Total designated	63,380	97,672
Operating	<u>234,101</u>	<u>92,305</u>
Total cash and cash equivalents	<u>\$ 297,481</u>	<u>\$ 189,977</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 \$205,523 and \$173,398 as of September 30, 2017 and 2016, 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

As of September 30, 2016 the Association acted 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, the groups included the Clancy-Unionville Task Force, Friends of the Rocky Mountain Front and the Rocky Mountain Front Photo Project. As of September 30, 2017, the Association is no longer acting as a fiscal sponsor for these groups.

MONTANA WILDERNESS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2017 and 2016

NOTE 6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Clancy-Unionville Task Force*	\$ -	\$ 11,414
Executive Director Search	25,800	-
Rocky Mountain Front Photo Project*	-	2,428
Badger Two Medicine	-	1,052
Dividends, interest and gains on permanently restricted investment assets not yet appropriated	<u>316,367</u>	<u>256,241</u>
	<u>\$ 342,167</u>	<u>\$ 271,135</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>2017</u>	<u>2016</u>
Clancy-Unionville Task Force	\$ 11,514	\$ 120
Friends of the Rocky Mountain Front	-	1,054
Forest Planning	-	128,125
Trails	6,335	41,380
Southwest MT	20,101	20,100
Antiquities Act	96,500	-
Northwest MT	55,747	51,000
Badger Two Medicine	37,452	147,498
PLPH - Advocacy	142,523	153,200
Western MT	2,500	5,500
BCSA (formerly FJRA)	10,000	45,025
Bluestone Remodel	26,834	-
Rocky Mountain Front	-	100
Executive Director Search	24,200	-
Wilderness Walks	15,502	85
Other	<u>52,002</u>	<u>69,282</u>
	<u>\$ 501,210</u>	<u>\$ 662,469</u>

MONTANA WILDERNESS ASSOCIATION
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 September 30, 2017 and 2016

NOTE 7. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following:

	<u>2017</u>	<u>2016</u>
Managed Permanent Account		
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
Salera Endowment Fund		
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
Forever Wild Endowment		
This fund includes memorials and bequests received by the Association. Fund earnings are available to support the general activities of the Association.	<u>400,969</u>	<u>397,469</u>
Total funds managed by the Association	<u>533,688</u>	<u>530,188</u>
Montana Community Foundation Forever Wild Endowment		
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>\$ 634,626</u>	<u>\$ 631,126</u>

NOTE 8. LEASES

The Association leases office space under a number of operating leases. Total office rent expense was \$57,885 and \$51,566 for the years ended September 30, 2017 and 2016, 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, 2017:

2018	\$ 16,200
2019	16,605
2020	17,820
2021	<u>13,365</u>
Total	<u>\$ 63,990</u>

MONTANA WILDERNESS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2017 and 2016

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, 2017 and 2016.

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, 2017 and 2016

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, 2017 and 2016:

	Fair Value Measurements as of September 30, 2017			
	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	\$ 810,832	\$ -	\$ -	\$ 810,832
Large blend	1,137,056	-	-	1,137,056
Corporate bond	243,059	-	-	243,059
Intermediate-term bond	488,852	-	-	488,852
Short-term bond	147,815	-	-	147,815
World bond	253,173	-	-	253,173
Other				
Montana Community Foundation	-	165,669	-	165,669
	<u>\$ 3,080,787</u>	<u>\$ 165,669</u>	<u>\$ -</u>	<u>\$ 3,246,456</u>
	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>

MONTANA WILDERNESS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2017 and 2016

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, 2017 and 2016, the Council had designated \$2,295,463 and \$2,174,420, 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, 2017 and 2016

NOTE 10. ENDOWMENT NET ASSETS (CONTINUED)

Endowment net asset composition by type of fund as of September 30, 2017 and 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
2017:				
Board designated endowment	\$ 2,295,463	\$ -	\$ -	\$ 2,295,463
Donor endowment funds	<u>-</u>	<u>251,636</u>	<u>533,688</u>	<u>785,324</u>
Total Association endowments	2,295,463	251,636	533,688	3,080,787
Montana Community Foundation	<u>-</u>	<u>64,731</u>	<u>100,938</u>	<u>165,669</u>
	<u>\$ 2,295,463</u>	<u>\$ 316,367</u>	<u>\$ 634,626</u>	<u>\$ 3,246,456</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>

The change in net asset composition by type of fund for the years ended September 30, 2017 and 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, October 1, 2015	<u>\$ 2,075,695</u>	<u>\$ 169,205</u>	<u>\$ 529,188</u>	<u>\$ 2,774,088</u>
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	(95,655)	(34,333)	-	(129,988)
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>
Investment return:				
Net appreciation	<u>232,833</u>	<u>79,034</u>	<u>-</u>	<u>311,867</u>
Total investment return	<u>232,833</u>	<u>79,034</u>	<u>-</u>	<u>311,867</u>
Contributions	-	-	3,500	3,500
Appropriation for expenditure	<u>(111,790)</u>	<u>(27,000)</u>	<u>-</u>	<u>(138,790)</u>
Endowment net assets, September 30, 2017	2,295,463	251,636	533,688	3,080,787
Montana Community Foundation	<u>-</u>	<u>64,731</u>	<u>100,938</u>	<u>165,669</u>
Total net assets per statement of financial position, September 30, 2017	<u>\$ 2,295,463</u>	<u>\$ 316,367</u>	<u>\$ 634,626</u>	<u>\$ 3,246,456</u>

MONTANA WILDERNESS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2017 and 2016

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 \$-0- and \$1,947 as of September 30, 2017 and 2016, 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 \$6,559 and \$3,882 in claims for unemployment as of September 30, 2017 and 2016, 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, 2017 and 2016

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, 2017 and 2016 was \$21,371 and \$26,388, 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>2017</u>	<u>2016</u>
Balance, September 30	\$ 444,372	\$ 463,814
Less current portion	<u>(20,859)</u>	<u>(20,138)</u>
	<u>\$ 423,513</u>	<u>\$ 443,676</u>

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

2018	\$	20,859
2019		21,755
2020		22,607
2021		23,527
2022		24,451
Thereafter		<u>331,173</u>
		<u>\$ 444,372</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, 2017 and 2016

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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