

**MONTANA WILDERNESS  
ASSOCIATION**

**AUDITED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018 AND 2017**





**MONTANA WILDERNESS ASSOCIATION  
CONTENTS**

<b>AUDITED FINANCIAL STATEMENTS</b>	<b><u>Page</u></b>
Independent auditors' report	2-3
Statements of financial position	4-5
Statements of activities	6-7
Statements of functional expenses	8-9
Statements of cash flows	10
Notes to financial statements	11-23



**JCCS**

**ACCOUNTING  
AUDIT  
TAX  
EMPLOYEE BENEFITS  
SPECIALIZED SERVICES**

**To the Council Members  
Montana Wilderness Association  
Helena, Montana**

## **INDEPENDENT AUDITORS' REPORT**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Montana Wilderness Association (the Association), which comprise the statement of financial position as of September 30, 2018, and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States 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.

### **Auditors' Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Montana Wilderness Association as of September 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

The financial statements of Montana Wilderness Association as of September 30, 2017, were audited by other auditors whose report dated February 26, 2018, expressed an unmodified opinion on those statements.

*Junkermier, Clark, Campanella, Stevens, P.C.*

Helena, Montana  
January 8, 2019

**MONTANA WILDERNESS ASSOCIATION  
STATEMENTS OF FINANCIAL POSITION**

**ASSETS**

	<b>September 30</b>	
	<b>2018</b>	<b>2017</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 322,425	\$ 297,481
Grants and contracts receivable	79,578	62,701
Inventory	8,485	9,192
Prepaid expenses	<u>4,243</u>	<u>1,448</u>
Total current assets	<u>414,731</u>	<u>370,822</u>
<b>LONG-TERM INVESTMENTS</b>		
Endowment funds	837,620	785,311
Montana Community Foundation	166,253	165,669
Council designated	<u>2,502,503</u>	<u>2,295,476</u>
Total long-term investments	<u>3,506,376</u>	<u>3,246,456</u>
<b>PROPERTY AND EQUIPMENT</b>		
Land	84,000	84,000
Building	622,518	622,518
Building improvements	100,343	100,343
Furniture and equipment	<u>61,359</u>	<u>59,438</u>
	868,220	866,299
Less accumulated depreciation	<u>146,311</u>	<u>124,100</u>
Total property and equipment	<u>721,909</u>	<u>742,199</u>
<b>OTHER ASSETS</b>		
Unemployment insurance reserve	23,637	21,371
Security deposits	<u>7,840</u>	<u>6,540</u>
Total other assets	<u>31,477</u>	<u>27,911</u>
Total assets	<u><u>\$ 4,674,493</u></u>	<u><u>\$ 4,387,388</u></u>

See notes to financial statements.

**MONTANA WILDERNESS ASSOCIATION  
STATEMENTS OF FINANCIAL POSITION**

**LIABILITIES AND NET ASSETS**

	<b>September 30</b>	
	<b>2018</b>	<b>2017</b>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 25,135	\$ 29,540
Refundable deposit	-	50
Grant advances	286,034	168,800
Accrued vacation	53,985	47,899
Accrued payroll liabilities	86,603	58,916
Mortgage payable, current portion	18,357	20,859
Total current liabilities	470,114	326,064
<b>LONG-TERM LIABILITIES</b>		
Long-term debt, net of current portion	405,645	423,513
Total liabilities	875,759	749,577
<b>NET ASSETS</b>		
Unrestricted		
Undesignated	355,357	365,555
Designated		
Council designated funds	2,439,502	2,295,463
Total unrestricted	2,794,859	2,661,018
Temporarily restricted	367,104	342,167
Permanently restricted	636,771	634,626
	3,798,734	3,637,811
Total liabilities and net assets	\$ 4,674,493	\$ 4,387,388

See notes to financial statements.

**MONTANA WILDERNESS ASSOCIATION**  
**STATEMENT OF ACTIVITIES**  
**Year Ended September 30, 2018**

	<u>Unrestricted</u>		<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
	<u>Unrestricted</u>	<u>Board Designated</u>			
<b>REVENUES AND SUPPORT</b>					
Membership dues	\$ 168,459	\$ -	\$ -	\$ -	\$ 168,459
Gifts	572,383	-	51,689	2,145	626,217
Grants	846,217	-	649,409	-	1,495,626
Investment income, net of fees	-	144,039	57,104	-	201,143
Gain/(Loss) on equipment disposal	(962)	-	-	-	(962)
Convention fees and special events	14,882	-	-	-	14,882
Merchandise sales, net of cost of goods sold of \$4,013	4,001	-	-	-	4,001
	<u>1,604,980</u>	<u>144,039</u>	<u>758,202</u>	<u>2,145</u>	<u>2,509,366</u>
Net assets released from restrictions	733,265	-	(733,265)	-	-
Total revenues and support	<u>2,338,245</u>	<u>144,039</u>	<u>24,937</u>	<u>2,145</u>	<u>2,509,366</u>
<b>EXPENSES</b>					
Program services	1,966,792	-	-	-	1,966,792
Management and general	241,846	-	-	-	241,846
Fundraising	139,805	-	-	-	139,805
Total expenses	<u>2,348,443</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,348,443</u>
<b>CHANGE IN NET ASSETS</b>	(10,198)	144,039	24,937	2,145	160,923
Net assets, beginning of year	<u>365,555</u>	<u>2,295,463</u>	<u>342,167</u>	<u>634,626</u>	<u>3,637,811</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 355,357</u>	<u>\$ 2,439,502</u>	<u>\$ 367,104</u>	<u>\$ 636,771</u>	<u>\$ 3,798,734</u>

See notes to financial statements.



**MONTANA WILDERNESS ASSOCIATION**  
**STATEMENT OF ACTIVITIES**  
**Year Ended September 30, 2017**

	<u>Unrestricted</u>		<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
	<u>Unrestricted</u>	<u>Board Designated</u>			
<b>REVENUES AND SUPPORT</b>					
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, net of fees	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	613,000	(111,790)	(501,210)	-	-
Total revenues and support	<u>2,153,588</u>	<u>121,043</u>	<u>71,032</u>	<u>3,500</u>	<u>2,349,163</u>
<b>EXPENSES</b>					
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>
<b>CHANGE IN NET ASSETS</b>	(96,583)	121,043	71,032	3,500	98,992
Net assets, 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>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 365,555</u>	<u>\$ 2,295,463</u>	<u>\$ 342,167</u>	<u>\$ 634,626</u>	<u>\$ 3,637,811</u>

See notes to financial statements.

**MONTANA WILDERNESS ASSOCIATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended September 30, 2018**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2018 Totals</u>
<b>EXPENSES</b>				
Awards and grants	\$ 78,483	\$ 1,836	\$ 3,087	\$ 83,406
Chapters	26,926	-	-	26,926
Communications	56,362	2,772	15,417	74,551
Conference, conventions and meetings	6,345	-	-	6,345
Depreciation	27,632	4,475	1,812	33,919
Equipment purchase, rental and maintenance	42,684	3,612	1,353	47,649
Events	9,087	1,248	1,758	12,093
Merchandise	6,305	889	683	7,877
Membership recruitment	-	-	7,435	7,435
Miscellaneous	12,180	2,009	475	14,664
Occupancy	87,495	6,628	2,885	97,008
Office	72,261	18,765	16,734	107,760
Trail Supplies	24,484	-	-	24,484
Postage and delivery	6,263	1,282	8,582	16,127
Professional fees	91,264	19,337	1,365	111,966
Salaries, taxes, and benefits	1,301,437	165,543	64,454	1,531,434
Telephone and internet	25,262	1,751	700	27,713
Training	5,024	564	1,444	7,032
Travel	87,298	11,135	11,621	110,054
Total expenses	<u>\$ 1,966,792</u>	<u>\$ 241,846</u>	<u>\$ 139,805</u>	<u>\$ 2,348,443</u>

See notes to financial statements.

**MONTANA WILDERNESS ASSOCIATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended September 30, 2017**

<b>EXPENSES</b>	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>2017 Totals</b>
Awards and grants	\$ 35,584	\$ 15,252	\$ 48	\$ 50,884
Chapters	35,968	-	-	35,968
Communications	111,533	3,491	26,709	141,733
Conference, 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>

See notes to financial statements.

**MONTANA WILDERNESS ASSOCIATION**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended September 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 160,923	\$ 98,992
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	33,919	31,670
Loss on sale of fixed asset	961	-
Net realized and unrealized (gain) loss on investments	(157,222)	(270,748)
Permanently restricted contribution	(2,145)	(3,500)
Changes in operating assets and liabilities:		
Accounts receivable	(16,877)	25,717
Inventory	707	(2,317)
Unemployment insurance reserve	(2,266)	5,017
Security deposits	(1,300)	(3,000)
Prepaid expenses	(2,795)	19,219
Accounts payable liabilities	(4,404)	7,200
Grant advances	117,234	168,800
Refundable deposit	(50)	50
Accrued payroll liability	27,687	(1,635)
Accrued vacation liability	6,086	(1,357)
Net cash from (used by) operating activities	160,458	74,108
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investment securities	122,085	205,746
Purchase of investment securities	(222,607)	(116,089)
Change in restricted cash	(2,177)	(3,578)
Purchase of property and equipment	(14,590)	(36,741)
Net cash from (used by) investing activities	(117,289)	49,338
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Mortgage principal payments	(20,370)	(19,442)
Contributions to permanently restricted funds	2,145	3,500
Net cash from (used by) financing activities	(18,225)	(15,942)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	24,944	107,504
Cash and cash equivalents, beginning of year	297,481	189,977
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 322,425</b>	<b>\$ 297,481</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid during the year for:		
Interest	\$ 19,311	\$ 18,415

See notes to financial statements.

**MONTANA WILDERNESS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2018 and 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

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, 2018 and 2017, net assets in the amount of \$2,439,502 and \$2,295,463, respectively, were set aside in an endowment fund created to fund Council approved projects. During fiscal years ended September 30, 2018 and 2017, 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 non-cash 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, 2018 and 2017**

**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 \$87,834 and \$104,334 for programs planned for the next fiscal year at September 30, 2018 and 2017, respectively. Cash payments of \$286,034 and \$168,800 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, 2018 and 2017, 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.

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, 2018 and 2017**

**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 US. 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, 2018 and 2017**

**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 \$30,067 and \$82,251 for the years ended September 30, 2018 and 2017, 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.



**MONTANA WILDERNESS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2018 and 2017**

**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>Cost</u>	<u>Fair Value</u>	<u>Net Unrealized Gain</u>
<u>2018:</u>			
Long-term investment			
Mutual funds	\$ 2,361,628	\$ 3,047,794	\$ 686,166
Other	393,345	458,582	65,237
Total long-term investments	<u>\$ 2,754,973</u>	<u>\$ 3,506,376</u>	<u>\$ 751,403</u>
<u>2017:</u>			
Long-term investment			
Mutual funds	\$ 2,430,240	\$ 3,080,788	\$ 650,548
Other	100,938	165,668	64,730
Total long-term investments	<u>\$ 2,531,178</u>	<u>\$ 3,246,456</u>	<u>\$ 715,278</u>

Expenses related to investment revenues, including investment advisory fees, amounted to \$16,152 and \$14,243 for September 30, 2018 and 2017, respectively, and have been netted against investment revenues in the accompanying statement of activities.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>2018:</u>			
Realized gains (losses)	\$ 93,027	\$ 10,084	\$ 103,111
Unrealized gains	17,424	36,687	54,111
Total gains	110,451	46,771	157,222
Dividends and interest, net of fees	33,588	10,333	43,921
Total investment return	<u>\$ 144,039</u>	<u>\$ 57,104</u>	<u>\$ 201,143</u>
<u>2017:</u>			
Realized gains (losses)	\$ (309)	\$ 10,947	\$ 10,638
Unrealized gains	190,270	69,840	260,110
Total gains	189,961	80,787	270,748
Dividends and interest, net of fees	43,477	13,548	57,025
Total investment return	<u>\$ 233,438</u>	<u>\$ 94,335</u>	<u>\$ 327,773</u>

Temporarily restricted total investment return includes net investment income of \$9,700 and \$15,301 on investments held at the Montana Community Foundation for the years ended September 30, 2018 and 2017, respectively, as more fully described in Note 3.

**MONTANA WILDERNESS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2018 and 2017**

**3. MONTANA COMMUNITY FOUNDATION ENDOWMENT**

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 \$208,783 and \$205,523 as of September 30, 2018 and 2017, 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.

**4. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets were comprised of the following as of September 30:

	<b>2018</b>	<b>2017</b>
Badger Two Medicine	\$ 42,721	\$ -
Executive Director Search	-	25,800
Veterans	6,270	-
Dividends, interest and gains on permanently restricted investment assets not yet appropriated	\$ 318,113	\$ 316,367
Totals	\$ 367,104	\$ 342,167

Temporarily restricted net assets were released from restriction by incurring expenses satisfying the purpose or time restrictions specified by donors for the years ended September 30:

	<b>2018</b>	<b>2017</b>
Clancy-Unionville Task Force	\$ -	\$ 11,514
Trails	36,556	6,335
Southwest MT	45,000	20,101
Antiquities Act	5,125	96,500
Northwest MT	43,010	55,747
Badger Two Medicine	106,292	37,452
PLPH-Advocacy	164,250	142,523
Western MT	-	2,500
Veterans	30,730	10,000
BCSA (formerly FJRA)	75,000	-
Bluestone Remodel	-	26,834
Executive Director Search	25,800	24,200
Wilderness Walks	16,690	15,502
WSA Defense	51,945	-
MEP	76,052	-
Other	56,815	52,002
Totals	\$ 733,265	\$ 501,210

**MONTANA WILDERNESS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2018 and 2017**

**5. PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets consist of the following:

	<b>2018</b>	<b>2017</b>
<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.	403,114	400,969
<b>Total funds managed by the Association</b>	<b>535,833</b>	<b>533,688</b>
 <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.	100,938	100,938
Total permanently restricted net assets	<b>\$ 636,771</b>	<b>\$ 634,626</b>

**6. LEASES**

The Association leases office space under a number of operating leases. Total office rent expense was \$66,238 and \$57,885 for the years ended September 30, 2018 and 2017, 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, 2018:

2019	\$	20,400
2020		16,200
2021		8,100
2022		-
Total		<b>44,700</b>

**7. 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 \$3,611, including interest at a rate of 5.91% per annum. The building serves as collateral for the note.

	<b>2018</b>	<b>2017</b>
Balance, September 30	\$ 424,002	\$ 444,372
Less current portion	(18,357)	(20,859)
	<b>\$ 405,645</b>	<b>\$ 423,513</b>

**MONTANA WILDERNESS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2018 and 2017**

**7. MORTGAGE PAYABLE (Continued)**

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

2019	\$	18,357
2020		19,666
2021		20,927
2022		22,198
2023		23,546
Thereafter		319,308
Total	<u>\$</u>	<u>424,002</u>

**8. 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, 2018 and 2017.

*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, 2018 and 2017**

**8. FAIR MARKET VALUATION (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, 2018 and 2017:

	Fair Value Measurements as of September 30, 2018			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Mutual Funds				
Foreign large blend	\$ 688,140	\$ -	\$ -	\$ 688,140
Large blend	1,179,111	-	-	1,179,111
Corporate bond	249,026	-	-	249,026
Intermediate-term bond	413,057	-	-	413,057
Short-term bond	160,711	-	-	160,711
World bond	357,749	-	-	357,749
Other				
CD's	62,921	-	-	62,921
Money Market	229,408	-	-	229,408
Montana Community Foundation	-	166,253	-	166,253
Totals	<u>\$ 3,340,123</u>	<u>\$ 166,253</u>	<u>\$ -</u>	<u>\$ 3,506,376</u>

	Fair Value Measurements as of September 30, 2017			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
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
Totals	<u>\$ 3,080,787</u>	<u>\$ 165,669</u>	<u>\$ -</u>	<u>\$ 3,246,456</u>

**MONTANA WILDERNESS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2018 and 2017**

**9. 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, 2018 and 2017, respectively, the Council had designated \$2,439,502 and \$2,295,463, 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 Council classifies the following 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 Organization 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 possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Association; and
- (7) The investment policies of the Association.

**Investment Return Objectives and Risk Parameters:**

The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. The general investment objective is to provide a reasonable current rate of return as well as the potential for long-term growth of income to maintain the purchasing power of the fund over the longer term. The minimum annual target rate of return is three percentage points over the rate of inflation as measured by the consumer price index, measured over a three to five year market cycle. The Association expects its endowment funds, over time, to provide a reasonable level of current income to support the spending policy authorized by the Council and to grow equity assets. Actual returns in any given year may vary from this amount.

**MONTANA WILDERNESS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2018 and 2017**

**9. 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 \$0 as of September 30, 2018 and 2017, respectively.

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) and current yield (interest and dividends). Endowment assets are to be invested in stock and/or bond funds and/or certificates of deposit, augmented by the bank and mutual savings bank accounts for short-term holdings. Investment in real estate, venture capital or other high risk investments is prohibited without specific Council approval.

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.

**MONTANA WILDERNESS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2018 and 2017**

**9. ENDOWMENT NET ASSETS (Continued)**

Endowment net asset composition as of September 30, 2018, is as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Endowment assets</u>
Board designated	\$ 2,438,515	\$ 988	\$ -	\$ 2,439,503
Donor endowment funds	987	300,801	535,833	837,621
Total Association endowments	2,439,502	301,789	535,833	3,277,124
Montana Community Foundation	-	65,315	100,938	166,253
Total	<u>\$ 2,439,502</u>	<u>\$ 367,104</u>	<u>\$ 636,771</u>	<u>\$ 3,443,377</u>

Endowment net asset composition as of September 30, 2017 is as follows:

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

Changes in endowment net assets as of September 30, 2018, are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Endowment assets</u>
Endowment net assets, October 1, 2016	\$ 2,174,420	\$ 256,241	\$ 631,126	\$ 3,061,787
Investment return:				
Net appreciation	232,833	79,034	-	311,867
Contributions	-	-	3,500	3,500
Appropriation for expenditure	(111,790)	(27,000)	-	(138,790)
Endowment net assets, September 30, 2017	2,295,463	251,636	533,688	3,080,787
Montana Community Foundation	-	64,731	100,938	165,669
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>
Investment return:				
Net appreciation	214,035	57,907	-	271,942
Contributions	156,474	988	2,145	159,607
Appropriation for expenditure	(226,470)	(73,473)	-	(299,943)
Endowment net assets, September 30, 2018	2,439,502	301,789	535,833	3,277,124
Montana Community Foundation	-	65,315	100,938	166,253
Total net assets per statement of financial position, September 30, 2018	<u>\$ 2,439,502</u>	<u>\$ 367,104</u>	<u>\$ 636,771</u>	<u>\$ 3,443,377</u>



**MONTANA WILDERNESS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2018 and 2017**

**10. 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 \$2,211 and \$6,559 in claims for unemployment as of September 30, 2018 and 2017, 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.

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, 2018 and 2017 was \$23,637 and \$21,371, respectively.

**11. 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.

**12. 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.

**13. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 8, 2019, the date on which the financial statements were available to be issued.