

**MONTANA WILDERNESS
ASSOCIATION**

AUDITED FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019



**MONTANA WILDERNESS ASSOCIATION
CONTENTS**

AUDITED FINANCIAL STATEMENTS	<u>Page</u>
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	11-26



JCCS

**ACCOUNTING
AUDIT
TAX
EMPLOYEE BENEFITS
SPECIALIZED SERVICES**

**To the Board 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 statements of financial position as of September 30, 2020 and 2019, 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.

Auditors' 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, 2020 and 2019, 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.

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

Helena, Montana
January 15, 2021

**MONTANA WILDERNESS ASSOCIATION
STATEMENTS OF FINANCIAL POSITION**

ASSETS

	September 30	
	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 408,657	\$ 373,661
Grants and contracts receivable	44,852	56,207
Inventory	7,792	9,552
Prepaid expenses	<u>40,229</u>	<u>30,017</u>
Total current assets	<u>501,530</u>	<u>469,437</u>
LONG-TERM INVESTMENTS		
Endowment funds	858,336	835,504
Montana Community Foundation	164,655	160,351
Board designated	<u>2,178,904</u>	<u>2,141,901</u>
Total long-term investments	<u>3,201,895</u>	<u>3,137,756</u>
PROPERTY AND EQUIPMENT		
Land	84,000	84,000
Building	622,518	622,518
Building improvements	155,674	105,407
Construction in process	-	24,231
Furniture and equipment	<u>150,862</u>	<u>102,400</u>
	1,013,054	938,556
Less accumulated depreciation	<u>240,560</u>	<u>194,991</u>
Total property and equipment	<u>772,494</u>	<u>743,565</u>
OTHER ASSETS		
Unemployment insurance reserve	31,863	27,965
Security deposits	<u>6,940</u>	<u>6,540</u>
Total other assets	<u>38,803</u>	<u>34,505</u>
Total assets	<u><u>\$ 4,514,722</u></u>	<u><u>\$ 4,385,263</u></u>

See notes to financial statements.

**MONTANA WILDERNESS ASSOCIATION
STATEMENTS OF FINANCIAL POSITION**

LIABILITIES AND NET ASSETS

	September 30	
	2020	2019
CURRENT LIABILITIES		
Accounts payable	\$ 51,198	\$ 72,033
Refundable deposit	-	400
Refundable advances (see Note 13)	264,500	-
Grant advances	285,865	242,265
Accrued vacation	76,704	67,913
Accrued payroll liabilities	77,385	75,401
Mortgage payable, current portion	6,275	33,532
Total current liabilities	761,927	491,544
LONG-TERM LIABILITIES		
Long-term debt, net of current portion	91,543	145,458
Total liabilities	853,470	637,002
NET ASSETS		
Without donor restrictions	2,633,904	2,751,406
With donor restrictions	1,027,348	996,855
Total net assets	3,661,252	3,748,261
Total liabilities and net assets	\$ 4,514,722	\$ 4,385,263

See notes to financial statements.

MONTANA WILDERNESS ASSOCIATION
STATEMENT OF ACTIVITIES
Year Ended September 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Membership dues	\$ 26,470	\$ -	\$ 26,470
Gifts	813,249	25,030	838,279
Grants	535,000	829,142	1,364,142
Investment income, net of fees of \$13,614	187,967	85,398	273,365
Gain on equipment disposal	500	-	500
Convention fees and special events	15,677	-	15,677
Merchandise sales, net of cost of goods sold of \$582	3,937	-	3,937
	1,582,800	939,570	2,522,370
Net assets released from restrictions	909,077	(909,077)	-
Total revenues and support	2,491,877	30,493	2,522,370
EXPENSES			
Program services	2,180,604	-	2,180,604
Management and general	211,137	-	211,137
Fundraising	217,638	-	217,638
Total expenses	2,609,379	-	2,609,379
CHANGE IN NET ASSETS	(117,502)	30,493	(87,009)
Net assets, beginning of year	2,751,406	996,855	3,748,261
NET ASSETS, END OF YEAR	<u>\$ 2,633,904</u>	<u>\$ 1,027,348</u>	<u>\$ 3,661,252</u>

See notes to financial statements.

MONTANA WILDERNESS ASSOCIATION
STATEMENT OF ACTIVITIES
Year Ended September 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND SUPPORT			
Membership dues	\$ 169,847	\$ -	\$ 169,847
Gifts	847,981	43,376	891,357
Grants	468,617	861,305	1,329,922
Investment income, net of fees of \$14,500	98,955	37,079	136,034
Convention fees and special events	35,675	-	35,675
Merchandise sales, net of cost of goods sold of \$3,388	3,831	-	3,831
	<u>1,624,906</u>	<u>941,760</u>	<u>2,566,666</u>
Net assets released from restrictions	948,780	(948,780)	-
Total revenues and support	<u>2,573,686</u>	<u>(7,020)</u>	<u>2,566,666</u>
EXPENSES			
Program services	2,160,426	-	2,160,426
Management and general	247,976	-	247,976
Fundraising	208,737	-	208,737
Total expenses	<u>2,617,139</u>	<u>-</u>	<u>2,617,139</u>
CHANGE IN NET ASSETS	(43,453)	(7,020)	(50,473)
Net assets, beginning of year	<u>2,794,859</u>	<u>1,003,875</u>	<u>3,798,734</u>
NET ASSETS, END OF YEAR	<u>\$ 2,751,406</u>	<u>\$ 996,855</u>	<u>\$ 3,748,261</u>

See notes to financial statements.

MONTANA WILDERNESS ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2020 Totals</u>
EXPENSES				
Awards and grants	\$ 63,401	\$ 643	\$ 137	\$ 64,181
Chapters	28,609	-	-	28,609
Communications	125,204	2,410	30,115	157,729
Conference, conventions, and meetings	48	-	-	48
Depreciation	36,518	6,041	3,009	45,568
Equipment purchase, rental, and maintenance	15,005	1,885	1,124	18,014
Events	15,440	606	2,302	18,348
Merchandise	1,611	722	778	3,111
Miscellaneous	1,252	3,822	-	5,074
Occupancy	73,786	112	4,998	78,896
Office	101,606	19,867	18,707	140,180
Trail supplies	5,017	-	-	5,017
Postage and delivery	5,664	1,032	7,085	13,781
Professional fees	277,253	14,603	21,088	312,944
Salaries, taxes, and benefits	1,355,749	152,279	114,045	1,622,073
Telephone and internet	20,720	1,968	1,309	23,997
Training	2,538	216	627	3,381
Travel	51,183	4,931	12,314	68,428
Total expenses	<u>\$ 2,180,604</u>	<u>\$ 211,137</u>	<u>\$ 217,638</u>	<u>\$ 2,609,379</u>

See notes to financial statements.

MONTANA WILDERNESS ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2019 Totals</u>
EXPENSES				
Awards and grants	\$ 48,363	\$ 3,098	\$ 45	\$ 51,506
Chapters	38,840	-	-	38,840
Communications	98,899	3,157	26,060	128,116
Conference, conventions, and meetings	14,210	-	-	14,210
Depreciation	27,034	4,766	2,400	34,200
Equipment purchase, rental, and maintenance	27,858	3,940	1,730	33,528
Events	8,816	1,124	18,092	28,032
Merchandise	567	205	857	1,629
Membership recruitment	-	-	6,658	6,658
Miscellaneous	2,196	27,805	-	30,001
Occupancy	89,607	8,313	4,644	102,564
Office	90,341	20,425	19,797	130,563
Trail supplies	32,678	-	-	32,678
Postage and delivery	13,795	1,409	7,947	23,151
Professional fees	149,770	8,676	10,394	168,840
Salaries, taxes and benefits	1,418,718	156,398	97,024	1,672,140
Telephone and internet	22,431	1,957	1,118	25,506
Training	1,978	1,966	1,135	5,079
Travel	74,325	4,737	10,836	89,898
Total expenses	<u>\$ 2,160,426</u>	<u>\$ 247,976</u>	<u>\$ 208,737</u>	<u>\$ 2,617,139</u>

See notes to financial statements.

MONTANA WILDERNESS ASSOCIATION
STATEMENTS OF CASH FLOWS
Years Ended September 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (87,009)	\$ (50,473)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	45,568	34,200
(Gain) loss on sale of fixed asset	(500)	-
Net realized and unrealized (gain) loss on investments	(217,691)	(67,590)
With donor restrictions contribution	(4,357)	(4,714)
Changes in operating assets and liabilities:		
Grants and contracts receivable	11,356	23,370
Inventory	1,759	(1,067)
Prepaid expenses	(10,212)	(25,774)
Unemployment insurance reserve	(3,898)	(4,328)
Security deposits	(400)	1,300
Accounts payable liabilities	(20,835)	46,898
Refundable deposit and advances	264,100	400
Grant advances	43,600	(43,769)
Accrued vacation liability	8,791	13,929
Accrued payroll liability	1,984	(11,202)
Net cash from (used by) operating activities	32,256	(88,820)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investment securities	199,014	692,093
Purchase of investment securities	(76,335)	(256,882)
Change in restricted cash	30,873	1,000
Contributions to restricted funds	4,357	4,714
Sales of property and equipment	500	-
Purchases of property and equipment	(74,498)	(55,856)
Net cash from (used by) investing activities	83,911	385,069
CASH FLOWS FROM FINANCING ACTIVITIES		
Mortgage principal payments	(81,171)	(245,013)
Net cash from (used by) financing activities	(81,171)	(245,013)
NET CHANGE IN CASH AND CASH EQUIVALENTS	34,996	51,236
Cash and cash equivalents, beginning of year	373,661	322,425
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 408,657	\$ 373,661
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	\$ 5,490	\$ 22,725

See notes to financial statements.

MONTANA WILDERNESS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2020 and 2019

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” organized to serve the unique characteristics of Montana’s geographical areas. The Association achieves its goals largely through grants and membership support.

New Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). This guidance outlines a single, comprehensive model for accounting for revenue from contracts with customers. The Association implemented this pronouncement in the current year. The timing of revenue recognition is not affected by the new standard, accordingly, the adoption of Topic 606 did not result in any changes to reported change in net assets or net assets for prior years. All revenue from providing goods and services contain a single delivery element, and revenue is recognized at a single point in time when ownership, risks, and rewards transfer.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 605). When implemented by management and the Association, management believes the standard improves the usefulness and understandability of the Association's financial reporting. The Association's prior policy of revenue recognition agreed to the new standard.

Revenue Recognition

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Unconditional promises to give that are scheduled to be received more than one year after the balance sheet date are shown as increases in net assets with donor restrictions and are reclassified to net assets without donor restrictions when the cash is received and any purpose restrictions are met. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Membership dues, which are not refundable, are available at a single price point. Revenue is recognized at the time the membership is purchased, and any member benefits are not directly accounted for, due to the immaterial effect of the benefits on the financial statements.

Montana Wilderness Association recognizes gifts, grants, or donations when cash, securities, or other assets, an unconditional promise to give, or a notification of beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Contributions of assets other than cash are recorded at their estimated fair value. It is the policy of the Association to report gifts of land, buildings, and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions specifying how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are recorded as support with donor restrictions. Absent explicit donor stipulation about how long those long-lived assets must be maintained, the Association reports expirations of donor restrictions when the donated assets are placed in service.

MONTANA WILDERNESS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

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.

Basis of Presentation

Net assets of the Association and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

Board Designated Net Assets - Net assets that are set aside for future use, under restrictions subject to Board approval. At September 30, 2020 and 2019, net assets in the amount of \$2,178,904 and \$2,141,901, respectively, were set aside in an endowment fund created to fund Board approved projects. During fiscal years ended September 30, 2020 and 2019, the Board did not transfer any funds to the Board designated fund.

Net assets with donor restrictions - Net assets that are subject to donor-imposed stipulations. Some restrictions are temporary in nature and will be met either by the actions of the Association or the passage of time. When a temporary restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as satisfaction of program restrictions. If the temporary restrictions are met in the reporting period, revenue is reported as without donor restrictions. Other donor-imposed stipulations require that they be maintained permanently by the Association. Generally, the donors of these assets permit use of investment income for general or specific purposes.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. 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 net assets with donor restrictions and are reclassified to net assets without donor restrictions 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 \$139,379 and \$72,775 for programs planned for the next fiscal year at September 30, 2020 and 2019, respectively. Cash payments of \$285,865 and \$242,265 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, 2020 and 2019, respectively.

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation or by law.

Expirations of 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.

MONTANA WILDERNESS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Board 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 2019. The Association also maintains designated accounts for its chapters and for certain funds at the request of the grantor.

Grants 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.

MONTANA WILDERNESS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Vacation Leave

All regular full-time employees accrue vacation leave on a monthly basis at the rate of 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.

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 \$98,647 and \$72,083 for the years ended September 30, 2020 and 2019, respectively.

MONTANA WILDERNESS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. Expenses that can be identified with a specific program are allocated directly according to their natural expenditure classification. All others are allocated based on the following:

<u>Expense:</u>	<u>Method of Allocation:</u>
Awards and grants	Time and effort
Chapters	Time and effort
Communications	Time and effort
Conference, conventions and meetings	Time and effort
Depreciation	Square footage
Equipment purchase, rental and maintenance	Time and effort
Events	Time and effort
Merchandise	Time and effort
Membership recruitment	Time and effort
Miscellaneous	Time and effort
Occupancy	Square footage
Office	Time and effort
Trail Supplies	Time and effort
Postage and delivery	Time and effort
Professional fees	Full-time equivalent
Salaries, taxes and benefits	Time and effort
Telephone and internet	Time and effort
Training	Time and effort
Travel	Time and effort

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, 2020 and 2019

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>2020:</u>			
Long-term investments			
Mutual funds	\$ 2,289,112	\$ 3,037,240	\$ 748,128
Other	100,938	164,655	63,717
Total long-term investments	<u>\$ 2,390,050</u>	<u>\$ 3,201,895</u>	<u>\$ 811,845</u>
<u>2019:</u>			
Long-term investments			
Mutual funds	\$ 2,292,741	\$ 2,977,405	\$ 684,664
Other	100,938	160,351	59,413
Total long-term investments	<u>\$ 2,393,679</u>	<u>\$ 3,137,756</u>	<u>\$ 744,077</u>

Expenses related to investment revenues, including investment advisory fees, amounted to \$13,614 and \$14,500 for September 30, 2020 and 2019, respectively, and have been netted against investment revenues in the accompanying statement of activities.

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>2020:</u>			
Realized gains (losses)	\$ 51,405	\$ 25,820	\$ 77,225
Unrealized gains	96,570	43,896	140,466
Total gains	147,975	69,716	217,691
Dividends and interest, net of fees	39,992	15,682	55,674
Total investment return	<u>\$ 187,967</u>	<u>\$ 85,398</u>	<u>\$ 273,365</u>
<u>2019:</u>			
Realized gains (losses)	\$ (193)	\$ (275)	\$ (468)
Unrealized gains	48,213	19,845	68,058
Total gains	48,020	19,570	67,590
Dividends and interest, net of fees	50,935	17,509	68,444
Total investment return	<u>\$ 98,955</u>	<u>\$ 37,079</u>	<u>\$ 136,034</u>

Total investment return with donor restrictions includes net investment income of \$18,626 and \$2,247 on investments held at the Montana Community Foundation for the years ended September 30, 2020 and 2019, respectively, as more fully described in Note 3.

MONTANA WILDERNESS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2020 and 2019

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 \$228,987 and \$208,146 as of September 30, 2020 and 2019, 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. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were comprised of the following as of September 30:

	<u>2020</u>	<u>2019</u>
Dividends, interest, and gains on investment assets with donor restrictions not yet appropriated	\$ 386,220	\$ 359,084
Totals	<u>\$ 386,220</u>	<u>\$ 359,084</u>

Net assets with donor restrictions were released from restriction by incurring expenses satisfying the purpose or time restrictions specified by donors for the years ended September 30:

	<u>2020</u>	<u>2019</u>
Kootenai Int	\$ 62,947	\$ -
Trails	59,742	39,087
Ruby	51,650	-
Helena/L&C National Forest	19,055	-
Custer/Gallatin National Forest	15,773	-
Badger Two Medicine	120,435	243,357
Advocacy	-	212,603
Forest Planning	-	107,003
BLM-L	47,925	-
BCSA (formerly FJRA)	98,380	73,000
State Policy	-	110,680
BLM-M	8,579	-
LWCF	84,088	-
Oil & Gas	39,289	-
P1 Engage	107,780	-
State Policy	68,366	-
Wilderness Walks	15,486	5,460
WSA Defense	-	89,370
MEP	-	65,210
Other	109,582	3,010
Totals	<u>\$ 909,077</u>	<u>\$ 948,780</u>

MONTANA WILDERNESS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2020 and 2019

4. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets with donor restrictions from endowments consist of the following:

	2020	2019
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>\$ 535,833</u>	<u>\$ 535,833</u>
Total funds managed by the Association	<u>535,833</u>	<u>535,833</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 net assets with donor restrictions from endowments	636,771	636,771
Total restricted cash and cash equivalents	4,357	1,000
Total other net assets with donor restrictions	<u>386,220</u>	<u>359,084</u>
Total net assets with donor restrictions	<u>\$ 1,027,348</u>	<u>\$ 996,855</u>

5. LEASES

The Association leases office space under a number of operating leases. Total office rent expense was \$69,360 and \$57,885 for the years ended September 30, 2020 and 2019, respectively. The majority of leases are month-to-month or for terms not exceeding one year. The Association decided during fiscal year 2020 to close all of its satellite locations due to the COVID-19 pandemic, with the exception of Helena, Missoula, and Whitefish, and have employees not based in Helena work from home. The Association owns the building in Helena. The following is a schedule by year of the minimum future rental expense on non-cancelable operating leases as of September 30, 2020:

2021	\$	6,585
2022		-
2023		-
2024		-
2025		-
Thereafter		-
Total	<u>\$</u>	<u>6,585</u>

MONTANA WILDERNESS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2020 and 2019

6. 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, was dated May 23, 2013, and matures May 23, 2033. Monthly installments were payable in the amount of \$3,611, including interest at a rate of 5.54% per annum. The mortgage was refinanced as of January 1, 2020 through Valley Bank. The refinanced balance of \$105,141 matures January 1, 2033. Monthly installments are payable in the amount of \$902, including interest at a rate of 4.66% per annum. The building serves as collateral for the note.

	2020	2019
Balance, September 30	\$ 97,818	\$ 178,990
Less current portion	(6,275)	(33,532)
	\$ 91,543	\$ 145,458

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

2021	\$	6,275
2022		6,704
2023		7,037
2024		7,387
2025		7,731
Thereafter		65,684
Total	\$	97,818

MONTANA WILDERNESS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2020 and 2019

7. 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, 2020 and 2019.

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, 2020 and 2019

7. 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, 2020 and 2019:

	Fair Value Measurements as of September 30, 2020			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	\$ 728,290	\$ -	\$ -	\$ 728,290
Large blend	1,118,342	-	-	1,118,342
Corporate bond	252,358	-	-	252,358
Intermediate-term bond	416,826	-	-	416,826
Short-term bond	163,382	-	-	163,382
World bond	358,042	-	-	358,042
Other				
Montana Community Foundation	-	164,655	-	164,655
Totals	<u>\$ 3,037,240</u>	<u>\$ 164,655</u>	<u>\$ -</u>	<u>\$ 3,201,895</u>

	Fair Value Measurements as of September 30, 2019			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	\$ 677,425	\$ -	\$ -	\$ 677,425
Large blend	1,095,590	-	-	1,095,590
Corporate bond	256,987	-	-	256,987
Intermediate-term bond	428,969	-	-	428,969
Short-term bond	157,992	-	-	157,992
World bond	360,442	-	-	360,442
Other				
Montana Community Foundation	-	160,351	-	160,351
Totals	<u>\$ 2,977,405</u>	<u>\$ 160,351</u>	<u>\$ -</u>	<u>\$ 3,137,756</u>

MONTANA WILDERNESS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2020 and 2019

8. 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 Board to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. As of September 30, 2020 and 2019, respectively, the Board had designated \$2,178,904 and \$2,141,901, 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 Board 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 Board 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 net assets with donor restrictions is classified as net assets without donor restrictions 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 Board 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, 2020 and 2019

8. 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, 2020 and 2019, respectively.

Under this policy, as approved by the Board, 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 Board 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 Board may approve special draws from the Board-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, 2020 and 2019

8. ENDOWMENT NET ASSETS (Continued)

Endowment net asset composition as of September 30, 2020, is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Endowment Assets</u>
Board designated	\$ 2,178,904	\$ -	\$ 2,178,904
Donor endowment funds	-	858,336	858,336
Total Association endowments	2,178,904	858,336	3,037,240
Montana Community Foundation	-	164,655	164,655
Total	<u>\$ 2,178,904</u>	<u>\$ 1,022,991</u>	<u>\$ 3,201,895</u>

Endowment net asset composition as of September 30, 2019 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Endowment Assets</u>
Board designated	\$ 2,141,901	\$ -	\$ 2,141,901
Donor endowment funds	-	835,504	835,504
Total Association endowments	2,141,901	835,504	2,977,405
Montana Community Foundation	-	160,351	160,351
Total	<u>\$ 2,141,901</u>	<u>\$ 995,855</u>	<u>\$ 3,137,756</u>

Changes in endowment net assets as of September 30, 2020, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Endowment Assets</u>
Endowment net assets, October 1, 2018	\$ 2,439,502	\$ 1,003,875	\$ 3,443,377
Investment return:			
Net appreciation	98,955	37,079	136,034
Contributions	256,883	-	256,883
Funds moved to restricted cash	(15,299)	(1,000)	(16,299)
Appropriation for expenditure	(638,140)	(44,099)	(682,239)
Endowment net assets, September 30, 2019	2,141,901	835,504	2,977,405
Montana Community Foundation	-	160,351	160,351
Total net assets per statement of financial position, September 30, 2019	<u>2,141,901</u>	<u>995,855</u>	<u>3,137,756</u>
Investment return:			
Net appreciation	187,967	85,398	273,365
Contributions	67,264	9,071	76,335
Funds moved to restricted cash	(12,217)	(4,357)	(16,574)
Appropriation for expenditure	(206,011)	(62,976)	(268,987)
Endowment net assets, September 30, 2020	2,178,904	858,336	3,037,240
Montana Community Foundation	-	164,655	164,655
Total endowment net assets per statement of financial position, September 30, 2020	<u>\$ 2,178,904</u>	<u>\$ 1,022,991</u>	<u>\$ 3,201,895</u>

MONTANA WILDERNESS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2020 and 2019

9. 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 \$198 and \$0 in claims for unemployment as of September 30, 2020 and 2019, 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, 2020 and 2019 was \$31,863 and \$27,965, respectively.

10. 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.

11. 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.

12. LIQUIDITY AND AVAILABILITY

The following represents the Association's financial assets at September 30, 2020 and 2019:

Financial assets at year end:	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 408,657	\$ 373,661
Grants and contracts receivable	44,852	56,207
Board designated investments	<u>2,178,904</u>	<u>2,141,901</u>
Total financial assets	<u>2,632,413</u>	<u>2,571,769</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>1,027,348</u>	<u>996,855</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,605,065</u>	<u>\$ 1,574,914</u>

The Association's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$643,409). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts.

MONTANA WILDERNESS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2020 and 2019

13. PAYROLL PROTECTION PROGRAM

During the year ended September 30, 2020 the Association obtained a Payroll Protection Program loan from the Small Business Administration through the CARES Act, in order to help with qualified operating expenditures and payroll costs during the COVID-19 pandemic. The total amount obtained was \$264,500 with 1% interest payable over two years from the original disbursement date, if not forgiven. As of September 30, 2020, the Association incurred sufficient qualifying expenses, which would qualify the Association for full forgiveness under the program. The Association has subsequently received forgiveness of the full balance after year end. As such, the Association has elected to treat the full balance of \$264,500 as a refundable advance for the year ended September 30, 2020 and will treat the same balance as income in the next fiscal year, the year of forgiveness, in accordance with FASB ASC 958-605.

14. UNCERTAINTIES, CONTINGENCIES, AND RISKS

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. Restrictions and closures recommended by state and federal agencies may have an impact on the Association's future operations such as reductions in grants or gifts available to the Association, as well as other impacts, which are unknown at this time. Management continues to closely monitor the situation and is taking steps to reduce risk and continue operations.

15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 15, 2021, the date on which the financial statements were available to be issued.