

**GREATER YELLOWSTONE COALITION, INC.**  
**AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**September 30, 2013**  
**(With Comparative Information for 2012)**



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

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Certified Public Accountants and Business Advisors

**GREATER YELLOWSTONE COALITION, INC.  
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Certified Public Accountants and Business Advisors

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Greater Yellowstone Coalition, Inc.  
Bozeman, MT

We have audited the accompanying financial statements of Greater Yellowstone Coalition, Inc. (a nonprofit organization) and an affiliate, which comprise the consolidated statement of financial position as of September 30, 2013, and the related consolidated statements 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Greater Yellowstone Coalition, Inc. and an affiliate, as of September 30, 2013, 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**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating statements are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Bozeman, Montana  
March 4, 2014

**GREATER YELLOWSTONE COALITION, INC.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**September 30, 2013**  
**(With Comparative Totals as of September 30, 2012)**

	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>		
<b>ASSETS</b>		
Cash and cash equivalents	\$ 306,964	\$ 441,084
Short-term investments	1,864,673	1,550,712
Accounts receivable:		
Foundations	60,340	525,000
Individuals	151,952	254,921
Prepaid expenses	1,691	4,480
Retirement plan forfeitures	901	2,322
Fixed assets, net of accumulated depreciation	2,897,358	2,973,263
Endowment fund investments	2,570,197	2,352,051
Totals	\$ 7,854,076	\$ 8,103,833
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 157,419	\$ 53,497
Other liabilities	168,294	149,580
Deferred revenue	11,940	299,375
Accrued compensated absences	55,094	51,803
Retirement contributions payable	38,884	42,478
Due to others	14,465	14,700
Gift annuity obligations	56,518	116,659
Note payable	687,552	746,040
	1,190,166	1,474,132
<b>NET ASSETS</b>		
Unrestricted:		
Designated by the Board	1,526,127	1,057,177
Unrestricted	2,164,917	2,319,103
Temporarily restricted	1,011,282	1,291,837
Permanently restricted	1,961,584	1,961,584
	6,663,910	6,629,701
Totals	\$ 7,854,076	\$ 8,103,833

See the notes to financial statements.

**GREATER YELLOWSTONE COALITION, INC.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**Year Ended September 30, 2013**  
**(With Comparative Totals for the Year Ended September 30, 2012)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2013 Totals</u>	<u>2012 Totals</u>
<b>REVENUE AND SUPPORT</b>					
Members and patrons	\$ 1,213,570	\$ 337,692	\$ -	\$ 1,551,262	\$ 1,281,126
Foundation grants	73,335	537,050	-	610,385	1,503,835
Bad debt loss	-	-	-	-	(25,000)
Special events	821,559	-	-	821,559	47,841
Sales	6,595	55,160	-	61,755	2,251
Annual meeting	56,834	-	-	56,834	4,037
Interest	41,772	-	-	41,772	40,454
Endowment earnings	-	76,235	-	76,235	70,542
Realized gain (loss) on sale of investments	8,511	20,732	-	29,243	(765)
Rental income	24,022	-	-	24,022	12,103
Retirement plan forfeitures	-	-	-	-	9,758
Unrealized gain (loss) on investments	(9,247)	217,717	-	208,470	367,859
Miscellaneous	61,163	-	-	61,163	36,316
Satisfaction of program restrictions	<u>1,525,141</u>	<u>(1,525,141)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>3,823,255</u>	<u>(280,555)</u>	<u>-</u>	<u>3,542,700</u>	<u>3,350,357</u>
<b>EXPENSES</b>					
Program services and fiscal sponsorship	2,936,752	-	-	2,936,752	2,144,706
Supporting services:					
Administrative	305,381	-	-	305,381	267,609
Fundraising	<u>266,358</u>	<u>-</u>	<u>-</u>	<u>266,358</u>	<u>335,984</u>
Total expenses	<u>3,508,491</u>	<u>-</u>	<u>-</u>	<u>3,508,491</u>	<u>2,748,299</u>
<b>CHANGE IN NET ASSETS</b>					
Net assets - beginning of year	314,764	(280,555)	-	34,209	602,058
	<u>3,376,280</u>	<u>1,291,837</u>	<u>1,961,584</u>	<u>6,629,701</u>	<u>6,027,643</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 3,691,044</u>	<u>\$ 1,011,282</u>	<u>\$ 1,961,584</u>	<u>\$ 6,663,910</u>	<u>\$ 6,629,701</u>

See the notes to financial statements.

**GREATER YELLOWSTONE COALITION, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended September 30, 2013**  
**(With Comparative Totals for the Year Ended September 30, 2012)**

	<b>Program</b>	<b>Supporting Services</b>		<b>Total Core</b>	<b>Cycle Greater</b>	<b>2013</b>	<b>2012</b>
	<b>Services</b>	<b>Administration</b>	<b>Fundraising</b>	<b>Activities</b>	<b>Yellowstone</b>	<b>Totals</b>	<b>Totals</b>
Wages and benefits	\$ 1,265,647	\$ 240,394	\$ 152,370	\$ 1,658,411	\$ -	\$ 1,658,411	\$ 1,592,559
Contracted and IT services	206,540	142	7,445	214,127	632,836	846,963	257,567
Advertising	1,326	-	116	1,442	18,757	20,199	32,261
Conferences and board expenses	22,123	8,409	555	31,087	-	31,087	16,146
Depreciation	60,237	11,549	7,374	79,160	-	79,160	75,408
Insurance	13,434	1,624	2,747	17,805	13,853	31,658	18,990
Interest	21,476	6,477	2,628	30,581	-	30,581	32,775
Minor equipment and maintenance	33,648	7,393	6,660	47,701	42,031	89,732	43,725
Newsletters and fact sheets	27,097	-	395	27,492	-	27,492	49,450
Other	5,168	873	2,142	8,183	-	8,183	30,211
Mail processing and printing	13,077	2,552	31,169	46,798	7,042	53,840	141,917
Professional fees	51,777	14,969	16,276	83,022	251	83,273	104,530
Property taxes and condo fees	2,126	708	321	3,155	-	3,155	3,547
Publications and dues	4,429	503	2,978	7,910	-	7,910	5,546
Rent	32,233	63	76	32,372	16,150	48,522	81,560
Small grants	20,334	-	-	20,334	58,058	78,392	17,037
Special events and sales	52,294	16	7,957	60,267	51,934	112,201	71,726
Supplies	16,850	2,975	15,826	35,651	24,696	60,347	51,859
Travel	107,146	3,470	6,455	117,071	85,071	202,142	86,431
Utilities	29,111	3,264	2,868	35,243	-	35,243	35,054
<b>Totals</b>	<b>\$ 1,986,073</b>	<b>\$ 305,381</b>	<b>\$ 266,358</b>	<b>\$ 2,557,812</b>	<b>\$ 950,679</b>	<b>\$ 3,508,491</b>	<b>\$ 2,748,299</b>

See the notes to financial statements.

**GREATER YELLOWSTONE COALITION, INC.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**Year Ended September 30, 2013**  
**(With Comparative Totals for the Year Ended September 30, 2012)**

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 34,209	\$ 602,058
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	79,160	75,408
Reinvested interest, dividends and realized gains	(147,250)	(110,231)
Unrealized (gains) losses on investments	(208,470)	(367,859)
(Increase) decrease in current assets:		
Receivables	567,629	(100,384)
Prepaid expenses	2,789	1,185
Retirement plan forfeitures	1,421	(437)
Increase (decrease) in current liabilities:		
Accounts payable	103,923	(206,090)
Other liabilities	18,714	14,251
Deferred revenues	(287,435)	299,375
Retirement contributions payable	(3,594)	3,185
Fiscal sponsorships	(235)	(1,340)
Accrued compensated absences	3,291	5,395
Gift annuity payable	(60,141)	21,998
Net cash provided by operating activities	<u>104,011</u>	<u>236,514</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(305,267)	(46,061)
Purchase of property and equipment	(3,255)	(634,330)
Proceeds from redemption of investments	<u>128,879</u>	<u>221,210</u>
Net cash used by investing activities	<u>(179,643)</u>	<u>(459,181)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds from long-term debt	-	430,666
Net payments on long-term debt	<u>(58,488)</u>	<u>-</u>
Net cash provided (used) by financing activities	<u>(58,488)</u>	<u>430,666</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(134,120)	207,999
Cash and cash equivalents - beginning of year	<u>441,084</u>	<u>233,085</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 306,964</u>	<u>\$ 441,084</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
In-kind donations of merchandise and services	<u>\$ 25,958</u>	<u>\$ 17,574</u>
Cash paid for interest	<u>\$ 30,581</u>	<u>\$ 32,775</u>

See the notes to financial statements.



**GREATER YELLOWSTONE COALITION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Greater Yellowstone Coalition, Inc., (GYC) was formally organized and incorporated November 7, 1983, for the purpose of advocating and ensuring the preservation of the Greater Yellowstone Ecosystem.

The GYC Board of Directors hires independent auditors and the Board Audit Committee reviews the annual financial audit with the auditors and reports back to the full Board. All Board members receive a copy of the audited financial statements.

Cycle Greater Yellowstone, Inc. (CGY) was formally organized and incorporated on April 11, 2012, for the purpose of conducting an annual bicycle tour in the Greater Yellowstone Ecosystem as a vehicle to inform and educate a regional, national and international audience about the importance and value of the Greater Yellowstone Ecosystem.

CGY is a wholly owned subsidiary of Greater Yellowstone Coalition, Inc., and as such, its financial statements are consolidated with GYC's for audit purposes. Separate Form 990s are filed with the IRS.

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting. Contributions are recorded when received, unless susceptible to accrual, and expenses are recognized when incurred. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of GYC and changes therein are classified as follows:

Unrestricted net assets - Net assets that are not subject to donor imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor imposed stipulations that may or will be met, either by actions of GYC 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 satisfaction of program restrictions. Restricted revenue is reported as unrestricted if the restrictions are met in the reporting period.

Permanently restricted net assets - Net assets subject to donor imposed stipulations require that they be maintained permanently by GYC. Generally, the donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**GREATER YELLOWSTONE COALITION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash and cash equivalents**

For purposes of the statement of cash flows, GYC considers all highly liquid investments with a maturity at purchase of three months or less to be cash equivalents. Cash and cash equivalents is composed of money market, savings, and interest-bearing checking accounts.

**Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investments held in securities are insured by the Securities Investor Protection Corporation and additional insurance purchased by the broker-dealers.

**Contributions and Accounts Receivable**

Contributions are recognized when the donor makes a promise to give to GYC that is, in substance, unconditional. All donor-restricted contributions are reported as increases in temporarily restricted net assets and are reclassified to unrestricted net assets, upon satisfaction of restriction.

GYC uses the direct write-off method when a promised receivable is determined to be uncollectible, which is usually upon receipt of notification from a donor. This approximates management's best estimate of an allowance, which is \$0.

**Fixed Assets and Depreciation**

Purchased assets and capital leases over the capitalization policy of \$5,000 are carried at their historical cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, GYC reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. GYC reclassifies temporarily restricted net assets to unrestricted net assets at that time. Depreciation of equipment and amortization of capital assets is provided over the estimated useful lives of the respective assets on the straight-line and declining balance methods. Operating leases for equipment are expensed over the life of the lease. Estimated useful lives of the fixed assets are as follows:

Office equipment	3-5 years
Vehicles	5 years
Buildings	40 years

**Compensated Absences**

Regular full time employees earn vacation at different rates based on years of service and is capped at a limit of one year's vacation entitlement. Regular part time employees earn vacation based on a pro rata of the full-time rate.

**GREATER YELLOWSTONE COALITION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Exempt Organization**

Greater Yellowstone Coalition, Inc. qualifies as a publicly supported organization described in Internal Revenue Code Section 509(a)(1) and 170(b)(1)(A)(vi) and, therefore, is not subject to private foundation taxation. GYC is also exempt from federal income tax under Section 501(c)(3). Contributions of grantors and donors qualify for tax deductions. GYC's information returns (Form 990) are open to examination by the IRS, generally, for three years after they were filed or the due date of the return, whichever is later.

Cycle Greater Yellowstone, Inc. is and nonprofit public benefit corporation that is exempt from federal income tax under Section 501(c)(4), and is not able to receive tax-deductible donations. The Organization adopted a fiscal year ending September 30, 2012, to coincide with its annual activity and the fiscal year of its parent company.

**Principles of Consolidation**

The consolidated financial statements present the accounts of Greater Yellowstone Coalition, Inc. and its subsidiary, Cycle Greater Yellowstone, Inc., with all significant balances and transactions between the entities eliminated.

**Prior Year Comparative Amounts**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, prior year financial statements, from which the summarized information was derived, should be read in conjunction with GYC's current year financial statements.

**2. CONCENTRATION OF CASH DEPOSIT AND UNSECURED CASH BALANCE**

GYC manages its credit risk for cash by maintaining deposits in a variety of financial institutions. At times throughout the fiscal year, typically in December and January when a significant proportion of contributions and grants are received, cash in GYC's general checking account exceeded amounts covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC). Funds not needed within the next month or two are moved to money market accounts and/or certificates of deposit with other financial institutions.

**3. ACCOUNTS RECEIVABLE**

	<b>Foundation Receivables</b>	<b>Individual Receivables</b>
Due within one year	\$ 60,340	\$ 94,162
Due within three years	-	57,790
	\$ 60,340	\$ 151,952

**GREATER YELLOWSTONE COALITION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

**4. INVESTMENTS**

GYC follows the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures. ASC 820 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and enhances disclosures about fair value measurements. Fair value is defined under ASC 820 as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs.

The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable, and the last unobservable, that may be used to measure fair value, which are the following:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted market prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that the observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

	<u>Cost</u>	<u>Net Unrealized Gains/(Losses)</u>	<u>Fair Value (Level 1)</u>
Marketable equity securities - short term			
Money market fund	\$ 258,219	\$ -	\$ 258,219
Mutual corporate bond funds	1,038,434	19,027	1,057,461
Mutual government bond funds	384,509	(1,726)	382,783
Mutual large blend equity funds	<u>119,186</u>	<u>47,024</u>	<u>166,210</u>
	<u>1,800,348</u>	<u>64,325</u>	<u>1,864,673</u>
Marketable equity securities - endowment			
Money market fund	3,387	-	3,387
Mutual emerging market funds	100,804	6,681	107,485
Mutual mid cap blend equity funds	254,607	183,338	437,945
Mutual aggressive allocation funds	44,215	9,503	53,718
Mutual large blend equity funds	924,421	329,639	1,254,060
Mutual government bond funds	447,889	313	448,202
Mutual corporate bond funds	120,526	1,417	121,943
Mutual bond funds	<u>140,257</u>	<u>3,200</u>	<u>143,457</u>
	<u>2,036,106</u>	<u>534,091</u>	<u>2,570,197</u>
	<u>\$ 3,836,454</u>	<u>\$ 598,416</u>	<u>\$ 4,434,870</u>

**GREATER YELLOWSTONE COALITION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

**4. INVESTMENTS (Continued)**

Components of investment and interest income for the year ended September 30, 2013 consist of the following:

Interest and dividends	\$ 118,007
Unrealized gains and (losses)	208,470
Realized gains and (losses)	<u>29,243</u>
	<u>\$ 355,720</u>

**5. ENDOWMENT**

As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. During the year ended September 30, 2013, no fees were paid for management of endowment funds.

*Interpretation of Relevant Law*

The Board of Directors 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, and because the primary donor's gift document states "the income only is to be applied for such qualified projects as its Board of Directors shall determine...". As a result of this interpretation, GYC classified 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 GYC in a manner consistent with the standard of prudence prescribed by MUPMIFA. In accordance with MUPMIFA, GYC 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 GYC 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 GYC; and
- (7) The investment policies of GYC.

*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 GYC to retain as a fund of perpetual direction. GYC has a General Endowment Fund and several Montana Endowment Funds (associated with planned gifts received as a result of the Montana Endowment Tax Credit Law). As of September 30, 2013, the General Endowment Fund and the Montana Endowment Fund have no such deficiency.

**GREATER YELLOWSTONE COALITION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

**5. ENDOWMENT (Continued)**

*Return Objectives and Risk Parameters*

GYC has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to operations while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that GYC must hold in perpetuity or for a donor-specified period(s). GYC expects its endowment funds, over time, to provide a reasonable level of current income to support the spending policy authorized by the Board of Directors and to grow equity assets. Actual returns in any given year may vary from this amount.

*Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, GYC 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). GYC targets a diversified asset allocation including cash equivalents, fixed income, and equity securities to achieve its long-term return objectives within prudent risk constraints.

*Spending Policy and How the Investment Objectives Relate to Spending Policy*

GYC's Finance Committee and Endowment Subcommittee review the quarterly and fiscal year end account statements and returns of the endowment account and make an annual recommendation to the Board of Directors regarding appropriations from the General Endowment Fund to the general operating account. The Board of Directors has authorized the Finance Committee and Endowment Subcommittee to appropriate for expenditure during the following fiscal year (commencing October 1, 20xx) up to 5% of the twelve quarter trailing average fair value of the assets of the General Endowment Fund as valued on the last business day of the fiscal year, as they deem necessary and appropriate. Such appropriation shall come first from accumulated interest and dividends not previously appropriated. If at the time of the allocation the fair market value of the assets of the Fund are sufficiently greater than the historic dollar value of the Fund, then the allocation may include funds drawn from any net appreciation (realized and unrealized) in the fair value of the assets over the historic dollar value of the General Endowment Fund. Income is defined as dividends from stocks and bond funds.

The historic value is the value of all gifts and transfers to the fund as of the date of such transfer. In establishing this policy, GYC considered current financial market conditions, the long- and short-term needs of GYC in carrying out its mission, present and future financial requirements, the expected total returns on its endowment fund, price level trends and general economic conditions. Accordingly, over the long term, GYC expects the current spending policy to allow its endowment to grow. This is consistent with GYC's objective to preserve the fair value 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. Endowment net asset composition by type of fund as of September 30, 2013 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 608,613	\$ 1,961,584	\$ 2,570,197

**GREATER YELLOWSTONE COALITION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

**5. ENDOWMENT (Continued)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ -	\$ 390,467	\$ 1,961,584	\$ 2,352,051
Investment return:				
Investment income, net	-	96,967	-	96,967
Net appreciation (depreciation)	-	217,717	-	217,717
Release per spending policy	-	(96,538)	-	(96,538)
	<u>\$ -</u>	<u>\$ 608,613</u>	<u>\$ 1,961,584</u>	<u>\$ 2,570,197</u>

**6. FIXED ASSETS**

Fixed assets at September 30, 2013 are as follows:

Land	\$ 600,000
Buildings	2,404,140
Office equipment	26,751
Vehicles	<u>107,342</u>
	3,138,233
Less: Accumulated depreciation	<u>(240,875)</u>
	<u>\$ 2,897,358</u>

On August 31, 2009, GYC purchased an existing building to be remodeled to serve as GYC's headquarters office. The building is a few blocks from downtown Bozeman and functioned as a warehouse. The down economy provided an opportunity to obtain excellent terms and the purchase was made solely with capital raised for this purpose. In 2010, architectural design plans were prepared, and in January 2011, GYC's Board of Directors authorized proceeding with the renovation. The renovation work began in March 2011 and was completed January 2012. The renovation was being financed in part by donations raised for this purpose and in part by a loan from a local bank. Donor pledges receivable over the next several years will be applied toward paying down the loan. No general operating funds were used for this purpose. The investment in the building will provide GYC with significant savings on future occupancy costs while providing a much better work environment with room to accommodate small events and educational presentations, as well as meetings with other conservation groups.

The value of the building and the land are shown as assets on the Statement of Financial Position, and includes costs for professional services (engineers, architects, contractors, and such) incurred toward the building remodel.

**GREATER YELLOWSTONE COALITION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

**7. NOTE PAYABLE**

GYC has a note payable to American Bank payable in monthly installments of \$4,089, including interest at 4.25%. The final balloon payment is due March 2017. The note is secured by real property.

Future maturities of the note payable are as follows:

2014	\$	21,272
2015		21,160
2016		22,078
2017		<u>623,042</u>
		<u>\$ 687,552</u>

**8. DEFERRED REVENUE**

Deferred revenue consists of amounts received in fiscal year 2013 for the fiscal year 2014 Cycle Greater Yellowstone event.

**9. DEFERRED CHARITABLE GIFT ANNUITY SPLIT-INTEREST AGREEMENTS**

GYC has received several charitable gift annuities that are restricted to GYC's Montana Endowment Fund and are deposited to separate accounts as required by Board policy. Under the annuity agreements, GYC agrees to pay the donor an annual sum, commencing on an agreed-upon date, for the remainder of the donor's life. During 2013 there was a change in estimate method regarding the calculation of the annuity present value. The value is calculated based upon the discount rate at the time of gift and the estimated amount of payments expected based upon actuarial tables.

The following summarizes the deferred charitable annuity obligations at September 30, 2013:

<b>Contributions Received</b>		<b>Annuity Obligation</b>		
<b>Fiscal year</b>	<b>Amount</b>	<b>Annual Payment</b>	<b>First Payment Date</b>	<b>Present Value of Obligation</b>
2000	\$ 22,000	\$1,650	12/31/2024	\$ 6,274
2000	28,239	8,218	9/30/2020	22,372
2001	22,000	1,650	12/31/2024	6,274
2002	10,000	2,420	12/31/2025	5,571
2002	23,500	1,763	12/31/2024	9,085
2010	20,000	800	12/31/2030	567
2010	20,000	800	12/31/2022	1,298
2011	<u>10,000</u>	720	3/31/2011	<u>5,077</u>
	<u>\$ 155,739</u>			<u>\$ 56,518</u>



**GREATER YELLOWSTONE COALITION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

**10. RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

Land	\$ 246,486
Water	49,454
Wildlife	18,777
Building	30,321
Cycle Greater Yellowstone	29,156
Endowment investment income	608,613
Other - for use on all programs	<u>28,475</u>
	<u>\$ 1,011,282</u>

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable for support in an amount determined by the Board.

The Board Designated Net Assets may not be spent without the permission of the Board of Directors. The Board designated these assets as reserves to assure that GYC has the flexibility to launch new initiatives, undertake long-term endeavors, and provide a cushion against fluctuations in cash flow.

**11. OPERATING LEASES**

Equipment Leases

GYC leases a mail machine from Pitney Bowes. The lease term was originally for 63 months from August 2008 to November 2013, and was renewed for one additional year to November 2014. Annual lease payments are \$1,740 per year.

GYC also leases a Canon copier, the term of which is 60 months from December 1, 2010 to November 30, 2015. Annual lease payments are \$6,045.

In December 2011, GYC entered into lease agreement for roof mounted solar electric and solar thermal systems. The term of the lease began when the equipment was installed, started, tested and accepted by GYC as ready for use. This occurred on February 1, 2012. The lease is for up to twenty years, with an option to purchase the equipment after five years (on or after February 1, 2017). The base annual rent for the equipment is on a graduating scale. The first year rent was \$1,440, and the second year (2013) rent was \$1,800, and the third year (2014) rent will be \$2,160. This is a related party transaction, as the primary owner of the leasing company is a current GYC board member.

Occupancy Leases

GYC has an operating lease for space in Idaho Falls, Idaho through December 31, 2013, which automatically renews for successive one-year terms if neither the lessee nor lessor submits a written notice of termination at least 60 days prior to the end of the lease term. The future minimum lease payments are \$6,960 per year.

**GREATER YELLOWSTONE COALITION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

**11. OPERATING LEASES (Continued)**

Occupancy Leases (continued)

GYC has also entered into an operating lease for space in Cody, Wyoming through February 28, 2013, which also renews annually. The future minimum lease payments are \$5,676 per year.

GYC has also entered into an operating lease for office space in Jackson, Wyoming, which began August 1, 2011, and terminates July 31, 2014. The future minimum lease payment for this space is \$15,910 per year.

**12. SUBLEASES AND LEASES TO OTHERS**

GYC subleases a room in its Jackson office to another organization. The initial term of the lease was for six months beginning August 1, 2011, and ending January 31, 2012, after which the lease renews for additional six month terms. GYC received \$4,185 in rental income for the year ended September 30, 2013.

There is a 1,412 sq.ft. space in GYC's new Bozeman building that is not needed by GYC, and which was leased to another business for a three year term from April 1, 2012 to May 31, 2015. No rent was charged for the first two months, during when GYC completed the basic build-out of the space, follows by tenant buildout to meet their needs. GYC received \$19,800 in rental income for the year ended September 30, 2013.

**13. COMMITMENTS**

Cycle Greater Yellowstone has contracted with On Your Left, LLC (OYL), for event management services for an initial term which shall continue until September 30, 2015. This contract was renegotiated to terminate September 30, 2014, and the annual payments for the next fiscal year shall not exceed \$140,000.

Cycle Greater Yellowstone has also contracted with RaceIT for online event registration and sales services for an annual term which continues until September 1, 2014. Fees are determined by the type of transaction (registrations or merchandise sales) and on a sliding scale based on the dollar value of each transaction.

**14. PROFIT SHARING PLAN**

In 1996, GYC adopted a defined contribution pension plan that covers all employees that have worked at least one year (and 1,000 hours) for GYC. The amount contributed each year is at the discretion of the Board of Directors. Employees are vested in a six year graduation schedule starting with 20% vested after two years. GYC recognized \$54,288 contribution expense for the year ended September 30, 2013.

**GREATER YELLOWSTONE COALITION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

**14. PROFIT SHARING PLAN (Continued)**

This Plan includes two contribution formulas. The first formula provides for a contribution allocated in the same ratio that each participant's compensation for the plan year bears to the total compensation of all participants (i.e. 3% of compensation). The second formula provides for an amount which is determined by multiplying the employer's discretionary contribution times a fraction of which the numerator is the hours of qualified hours of service of a participant, and the denominator is the total hours of service of all participants eligible to share in this benefit, resulting in an equal dollar amount per qualified hours worked (i.e. \$0.60 per hour worked).

**15. RECRUITMENT COSTS**

In May 2013, Michael Clark retired and Caroline Byrd was hired to be GYC's Executive Director. There was also turnover in the Conservation Program Director position, for which an internal candidate was promoted. Recruitment contracted service costs of \$55,300 were incurred for the year ended September 30, 2013.

**16. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 4, 2014, the date on which the financial statements were available to be issued.

**GREATER YELLOWSTONE COALITION, INC.**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**September 30, 2013**

	<u>Greater Yellowstone Coalition</u>	<u>Cycle Greater Yellowstone</u>	<u>Eliminating Entries</u>	<u>Consolidated Balances</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 277,808	\$ 29,156	\$ -	\$ 306,964
Short-term investments	1,864,673	-	-	1,864,673
Accounts receivable:				
Foundations	60,340	-	-	60,340
Individuals	151,952	-	-	151,952
Cycle Greater Yellowstone	345,000	-	(345,000)	-
Prepaid expenses	1,691	-	-	1,691
Retirement plan forfeitures	901	-	-	901
Fixed assets, net of accumulated depreciation	2,897,358	-	-	2,897,358
Endowment fund investments	<u>2,570,197</u>	<u>-</u>	<u>-</u>	<u>2,570,197</u>
 Totals	 <u>\$ 8,169,920</u>	 <u>\$ 29,156</u>	 <u>\$ (345,000)</u>	 <u>\$ 7,854,076</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 157,419	\$ -	\$ -	\$ 157,419
Other liabilities	168,294	-	-	168,294
Deferred revenue	-	11,940	-	11,940
Accrued compensated absences	55,094	-	-	55,094
Retirement contributions payable	38,884	-	-	38,884
Due to others	14,465	-	-	14,465
Gift annuity obligations	56,518	-	-	56,518
Note payable	<u>687,552</u>	<u>345,000</u>	<u>(345,000)</u>	<u>687,552</u>
	<u>1,178,226</u>	<u>356,940</u>	<u>(345,000)</u>	<u>1,190,166</u>
<b>NET ASSETS</b>				
Unrestricted:				
Designated by the Board	1,526,127	-	-	1,526,127
Unrestricted	2,344,714	(179,797)	-	2,164,917
Temporarily restricted	1,159,269	(147,987)	-	1,011,282
Permanently restricted	<u>1,961,584</u>	<u>-</u>	<u>-</u>	<u>1,961,584</u>
	<u>6,991,694</u>	<u>(327,784)</u>	<u>-</u>	<u>6,663,910</u>
 Totals	 <u>\$ 8,169,920</u>	 <u>\$ 29,156</u>	 <u>\$ (345,000)</u>	 <u>\$ 7,854,076</u>

See independent auditors' report.

**GREATER YELLOWSTONE COALITION, INC.**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**Year Ended September 30, 2013**

	<b>Greater Yellowstone Coalition</b>	<b>Cycle Greater Yellowstone</b>	<b>Eliminating Entries</b>	<b>Consolidated Balances</b>
<b>REVENUE AND SUPPORT</b>				
Members and patrons	\$ 1,547,629	\$ 3,633	\$ -	\$ 1,551,262
Foundation grants	610,385	-	-	610,385
Special events	108,935	712,624	-	821,559
Sales	7,130	54,625	-	61,755
Annual meeting	56,834	-	-	56,834
Interest	41,772	-	-	41,772
Endowment earnings	76,235	-	-	76,235
Realized gain on sale of investments	29,243	-	-	29,243
Rental income	24,022	-	-	24,022
Unrealized gain (loss) on investments	208,470	-	-	208,470
Miscellaneous	61,163	-	-	61,163
<b>Total revenue and support</b>	<b>2,771,818</b>	<b>770,882</b>	<b>-</b>	<b>3,542,700</b>
<b>EXPENSES</b>				
Program services and fiscal sponsorship	1,986,073	950,679	-	2,936,752
Supporting services:				
Administrative	305,381	-	-	305,381
Fundraising	266,358	-	-	266,358
<b>Total expenses</b>	<b>2,557,812</b>	<b>950,679</b>	<b>-</b>	<b>3,508,491</b>
<b>CHANGE IN NET ASSETS</b>	214,006	(179,797)	-	34,209
Net assets - beginning of year	6,777,688	(147,987)	-	6,629,701
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 6,991,694</b>	<b>\$ (327,784)</b>	<b>\$ -</b>	<b>\$ 6,663,910</b>

See independent auditors' report.

**GREATER YELLOWSTONE COALITION, INC.**  
**CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended September 30, 2013**

	<u>Greater Yellowstone Coalition</u>			<u>Cycle Greater Yellowstone</u>			<u>Eliminating Entries</u>	<u>Consolidated Balances</u>
	<u>Program Services</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Program Services</u>	<u>Administration</u>	<u>Fundraising</u>		
Wages and benefits	\$ 1,265,647	\$ 240,394	\$ 152,370	\$ -	\$ -	\$ -	\$ -	\$ 1,658,411
Contracted and IT services	206,540	142	7,445	632,836	-	-	-	846,963
Advertising	1,326	-	116	18,757	-	-	-	20,199
Conferences and board expenses	22,123	8,409	555	-	-	-	-	31,087
Depreciation	60,237	11,549	7,374	-	-	-	-	79,160
Insurance	13,434	1,624	2,747	13,853	-	-	-	31,658
Interest	21,476	6,477	2,628	-	-	-	-	30,581
Minor equipment and maintenance	33,648	7,393	6,660	42,031	-	-	-	89,732
Newsletters and fact sheets	27,097	-	395	-	-	-	-	27,492
Other	5,168	873	2,142	-	-	-	-	8,183
Mail processing and printing	13,077	2,552	31,169	7,042	-	-	-	53,840
Professional fees	51,777	14,969	16,276	251	-	-	-	83,273
Property taxes and condo fees	2,126	708	321	-	-	-	-	3,155
Publications and dues	4,429	503	2,978	-	-	-	-	7,910
Rent	32,233	63	76	16,150	-	-	-	48,522
Small grants	20,334	-	-	58,058	-	-	-	78,392
Special events and sales	52,294	16	7,957	51,934	-	-	-	112,201
Supplies	16,850	2,975	15,826	24,696	-	-	-	60,347
Travel	107,146	3,470	6,455	85,071	-	-	-	202,142
Utilities	29,111	3,264	2,868	-	-	-	-	35,243
<b>Totals</b>	<b>\$ 1,986,073</b>	<b>\$ 305,381</b>	<b>\$ 266,358</b>	<b>\$ 950,679</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,508,491</b>

See independent auditors' report