

GREATER YELLOWSTONE COALITION, INC.
AUDITED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2012

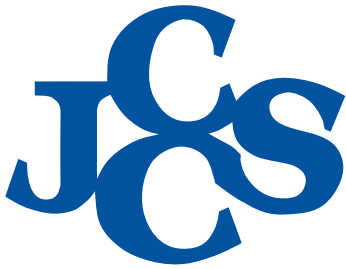


Junkermier • Clark
Campanella • Stevens • P.C.

Certified Public Accountants and Business Advisors

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INDEPENDENT AUDITORS' REPORT

**To the Board of Directors
Greater Yellowstone Coalition, Inc.
Bozeman, MT 59771-1874**

We have audited the accompanying consolidated statement of financial position of Greater Yellowstone Coalition, Inc. (a nonprofit organization) and an affiliate, as of September 30, 2012, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Greater Yellowstone Coalition, Inc.'s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's September 30, 2011 financial statements and, in our report dated February 20, 2012, we expressed an unqualified opinion on those financial statements.

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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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
February 19, 2013

GREATER YELLOWSTONE COALITION, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Year Ended September 30, 2012
(With Comparative Totals as of September 30, 2011)

ASSETS

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2012 Total</u>	<u>2011 Total</u>
ASSETS					
Cash and cash equivalents	\$ 286,928	\$ 154,156	\$ -	\$ 441,084	\$ 233,086
Short-term investments	1,388,482	162,230	-	1,550,712	1,544,412
Receivables:					
Foundations	100,000	425,000	-	525,000	50,000
Individuals	80,237	174,684	-	254,921	629,538
Prepaid expenses	4,480	-	-	4,480	5,665
Retirement plan forfeitures	2,322	-	-	2,322	1,885
Fixed assets, net of accumulated depreciation	2,973,263	-	-	2,973,263	2,414,342
Endowment fund investments	-	390,467	1,961,584	2,352,051	2,055,409
	<u>-</u>	<u>390,467</u>	<u>1,961,584</u>	<u>2,352,051</u>	<u>2,055,409</u>
Total assets	<u>\$ 4,835,712</u>	<u>\$ 1,306,537</u>	<u>\$ 1,961,584</u>	<u>\$ 8,103,833</u>	<u>\$ 6,934,337</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 53,497	\$ -	\$ -	\$ 53,497	\$ 259,588
Other liabilities	149,580	-	-	149,580	135,329
Deferred revenue	299,375	-	-	299,375	-
Accrued compensated absences	51,803	-	-	51,803	46,408
Retirement contributions payable	42,478	-	-	42,478	39,293
Due to others	-	14,700	-	14,700	16,041
Gift annuity obligations	116,659	-	-	116,659	94,661
Note payable	746,040	-	-	746,040	315,374
	<u>1,459,432</u>	<u>14,700</u>	<u>-</u>	<u>1,474,132</u>	<u>906,694</u>
Total liabilities	<u>1,459,432</u>	<u>14,700</u>	<u>-</u>	<u>1,474,132</u>	<u>906,694</u>

NET ASSETS

Unrestricted:					
Designated by the Board	1,057,177	-	-	1,057,177	1,057,177
Unrestricted	2,319,103	-	-	2,319,103	2,180,249
Temporarily restricted	-	1,291,837	-	1,291,837	828,633
Permanently restricted	-	-	1,961,584	1,961,584	1,961,584
	<u>-</u>	<u>-</u>	<u>1,961,584</u>	<u>1,961,584</u>	<u>1,961,584</u>
Total net assets	<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>
Total liabilities and net assets	<u>\$ 4,835,712</u>	<u>\$ 1,306,537</u>	<u>\$ 1,961,584</u>	<u>\$ 8,103,833</u>	<u>\$ 6,934,337</u>

See the notes to financial statements.

GREATER YELLOWSTONE COALITION, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
September 30, 2012
(With Comparative Totals as of September 30, 2011)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2012 Total</u>	<u>2011 Total</u>
REVENUE AND SUPPORT					
Members and patrons	\$ 826,521	\$ 454,605	\$ -	\$ 1,281,126	\$ 1,687,302
Foundation grants	262,500	1,241,335	-	1,503,835	483,050
Endowment gifts	-	-	-	-	17,500
Bad debt loss	-	(25,000)	-	(25,000)	(78,000)
Special events	47,841	-	-	47,841	140,602
Sales	1,317	934	-	2,251	1,651
Annual meeting	4,037	-	-	4,037	28,661
Interest	40,454	-	-	40,454	57,897
Endowment earnings	-	70,542	-	70,542	65,081
Realized gain (loss) on sale of investments	-	(765)	-	(765)	10,335
Rental income	12,103	-	-	12,103	21,726
Retirement plan forfeitures	9,758	-	-	9,758	290
Unrealized gain (loss) on investments	51,150	316,709	-	367,859	(124,461)
Miscellaneous	26,979	9,337	-	36,316	17,852
Satisfaction of program restrictions	<u>1,604,493</u>	<u>(1,604,493)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>2,887,153</u>	<u>463,204</u>	<u>-</u>	<u>3,350,357</u>	<u>2,329,486</u>
EXPENSES					
Program services and fiscal sponsorship	2,144,706	-	-	2,144,706	1,943,492
Supporting services:					
Administrative	267,609	-	-	267,609	279,529
Fundraising	<u>335,984</u>	<u>-</u>	<u>-</u>	<u>335,984</u>	<u>372,511</u>
Total expenses	<u>2,748,299</u>	<u>-</u>	<u>-</u>	<u>2,748,299</u>	<u>2,595,532</u>
CHANGE IN NET ASSETS	138,854	463,204	-	602,058	(266,046)
Net assets, beginning of year	<u>3,237,426</u>	<u>828,633</u>	<u>1,961,584</u>	<u>6,027,643</u>	<u>6,293,689</u>
NET ASSETS, end of year	<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>

See the notes to financial statements.

GREATER YELLOWSTONE COALITION, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2012
(With Comparative Totals as of September 30, 2011)

	Program Services	Supporting Services		Total Core Activities	Fiscal Sponsorships	2012 Total	2011 Total
		Administration	Fundraising				
Salaries and wages	\$ 1,001,481	\$ 148,654	\$ 82,754	\$ 1,232,889	\$ -	\$ 1,232,889	\$ 1,137,159
Payroll taxes	89,119	12,550	7,211	108,880	-	108,880	115,556
Employee benefits	192,794	36,485	19,470	248,749	-	248,749	221,139
Contracted services	102,730	-	-	102,730	101,160	203,890	233,639
IT services	45,549	125	8,003	53,677	-	53,677	79,067
Work study students	1,020	-	1,020	2,040	-	2,040	1,692
Advertising	31,539	-	698	32,237	25	32,262	7,887
Conferences	8,136	345	444	8,925	55	8,980	26,402
Board expenses	206	6,919	41	7,166	-	7,166	12,157
Depreciation	62,879	5,805	6,724	75,408	-	75,408	31,966
Direct mail	-	-	66,196	66,196	-	66,196	20,954
Donor recognition	-	-	85	85	-	85	8
Fact sheets and alerts	5,338	-	-	5,338	-	5,338	24,650
Gift annuity expense	-	-	22,718	22,718	-	22,718	13,367
Insurance	15,089	1,488	2,413	18,990	-	18,990	14,461
Interest	20,913	9,249	2,614	32,776	-	32,776	1,720
Minor equipment and maintenance	27,778	11,203	4,744	43,725	-	43,725	49,064
Newsletters	42,176	51	1,885	44,112	-	44,112	40,630
Other	635	-	4,000	4,635	-	4,635	100
Postage and mail processing	10,430	916	31,393	42,739	-	42,739	38,783
Printing	6,299	203	26,164	32,666	316	32,982	42,657
Professional fees	86,174	12,357	6,000	104,531	-	104,531	25,747
Property condo fees	1,744	1,253	370	3,367	-	3,367	3,055
Property management	-	-	-	-	-	-	501
Property taxes	-	180	-	180	-	180	36
Publications and dues	4,300	705	507	5,512	-	5,512	4,028
Rent	66,565	10,094	4,901	81,560	-	81,560	120,548
Small grants	10,193	-	-	10,193	6,843	17,036	75,393
Special events	56,669	-	7,478	64,147	850	64,997	78,898
Sponsorships	-	-	-	-	-	-	250
Sales	4,230	-	2,499	6,729	-	6,729	9,112
Supplies	35,333	3,008	13,397	51,738	121	51,859	35,407
Telephone	23,867	1,969	1,850	27,686	-	27,686	30,495
Training	2,266	185	7	2,458	315	2,773	2,144
Travel	74,920	866	9,588	85,374	1,091	86,465	93,975
Utilities	3,558	2,999	810	7,367	-	7,367	2,885
Total	\$ 2,033,930	\$ 267,609	\$ 335,984	\$ 2,637,523	\$ 110,776	\$ 2,748,299	\$ 2,595,532

See the notes to financial statements.

GREATER YELLOWSTONE COALITION, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(With Comparative Totals as of September 30, 2011)

	Years ended September 30	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 602,058	\$ (266,046)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	75,408	31,966
Contributions restricted for long-term investment	-	(17,500)
Reinvested interest, dividends and realized gains	(110,231)	(133,313)
Unrealized (gains) losses on investments	(367,859)	124,461
(Increase) decrease in current assets:		
Receivables	(100,384)	303,514
Prepaid expenses	1,185	13,009
Retirement plan forfeitures	(437)	12,757
Increase (decrease) in current liabilities:		
Accounts payable	(206,091)	202,013
Other liabilities	14,251	23,256
Deferred revenues	299,375	(22,880)
Retirement contributions payable	3,185	(3,531)
Fiscal sponsorships	(1,340)	(230)
Accrued compensated absences	5,395	2,838
Gift annuity payable	21,998	12,827
	236,513	283,141
Net cash provided by operating activities	<u>236,513</u>	<u>283,141</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(46,061)	(468,080)
Purchase of property and equipment	(634,330)	(1,037,313)
Proceeds from redemption of investments	221,210	589,333
	<u>(459,181)</u>	<u>(916,060)</u>
Net cash used by investing activities	<u>(459,181)</u>	<u>(916,060)</u>
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Net proceeds from long-term debt	430,666	315,374
Contributions restricted for endowment	-	17,500
	<u>430,666</u>	<u>332,874</u>
Net cash provided by financing activities	<u>430,666</u>	<u>332,874</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	207,998	(300,045)
Cash and cash equivalents, beginning of year	<u>233,086</u>	<u>533,131</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 441,084</u>	<u>\$ 233,086</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
In-kind donations of merchandise and services	<u>\$ 17,574</u>	<u>\$ 42,650</u>
Cash paid for interest	<u>\$ 32,776</u>	<u>\$ 1,720</u>
Unrealized gains (losses) on investments	<u>\$ 367,859</u>	<u>\$ (124,461)</u>

See the notes to financial statements.

GREATER YELLOWSTONE COALITION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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.

Fund Accounting:

To ensure observance of limitations and restrictions placed on the use of resources available to GYC, its accounts are maintained in accordance with the principles of fund accounting, which includes the accrual basis of accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

The financial position and activities of GYC are reported in three self-balancing fund groups according to the three classes of net assets as follows:

1. Unrestricted net assets fund, which maintains control of all resources, which are available for general purposes of GYC.
2. Temporarily restricted net asset funds, which include all resources upon which specific purpose or time restrictions have been placed by the donor or grantor.
3. Permanently restricted net asset funds, which represents resources obtained from outside donors who have placed restrictions on the use of the principal amounts of their gifts and/or the income earned on those gifts.

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, 2012

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 Receivables:

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, 2012

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. The Organization'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

Greater Yellowstone Coalition, Inc. 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 the Organization'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. RECEIVABLES

	Foundation Receivables	Individual Receivables
Due within one year	\$ 525,000	\$ 230,633
Due within five years	-	24,288
	\$ 525,000	\$ 254,921

GREATER YELLOWSTONE COALITION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

4. INVESTMENTS

Effective October 1, 2008, GYC adopted 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.

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) 2012</u>
Marketable equity securities - short term			
Mutual corporate bond funds	\$ 1,297,028	\$ 48,169	\$ 1,345,197
Mutual government bond funds	74,462	3,730	78,192
Mutual large blend equity funds	<u>105,651</u>	<u>21,672</u>	<u>127,323</u>
	<u>1,477,141</u>	<u>73,571</u>	<u>1,550,712</u>
Marketable equity securities - endowment			
Money market fund	3,405	-	3,405
Mutual emerging market funds	97,272	10,372	107,644
Mutual mid cap blend equity funds	276,073	105,499	381,572
Mutual aggressive allocation funds	43,533	4,427	47,960
Mutual large blend equity funds	907,851	148,639	1,056,490
Mutual government bond funds	461,889	25,235	487,124
Mutual corporate bond funds	113,400	9,710	123,110
Mutual bond funds	<u>132,254</u>	<u>12,492</u>	<u>144,746</u>
	<u>2,035,677</u>	<u>316,374</u>	<u>2,352,051</u>
Totals	<u>\$ 3,512,818</u>	<u>\$ 389,945</u>	<u>\$ 3,902,763</u>

GREATER YELLOWSTONE COALITION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

4. INVESTMENTS (Continued)

Components of investment and interest income for the year ended September 30, 2012 consist of the following:

Interest and dividends	\$	110,996
Unrealized gains and (losses)		367,859
Realized gains and (losses)		<u>(765)</u>
	\$	<u>478,090</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, 2012, 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, 2012, the General Endowment Fund and the Montana Endowment Fund have no such deficiency.

GREATER YELLOWSTONE COALITION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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 the Organization 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, 2012 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2012 Totals</u>	<u>2011 Totals</u>
Donor-restricted endowment funds	\$ -	\$ 390,467	\$ 1,961,584	\$ 2,352,051	\$ 2,055,409

GREATER YELLOWSTONE COALITION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

5. ENDOWMENT (Continued)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2012 Totals</u>	<u>2011 Totals</u>
Endowment net assets, beginning of year	\$ -	\$ 93,825	\$ 1,961,584	\$ 2,055,409	\$ 2,140,863
Investment return:					
Investment income, net	-	69,777	-	69,777	75,416
Net appreciation (depreciation)	-	315,660	-	315,660	(91,370)
Contributions	-	-	-	-	17,500
Release per spending policy	-	(88,795)	-	(88,795)	(87,000)
	<u>\$ -</u>	<u>\$ 390,467</u>	<u>\$ 1,961,584</u>	<u>\$ 2,352,051</u>	<u>\$ 2,055,409</u>

6. FIXED ASSETS

Fixed assets at September 30, 2012 are as follows:

Land	\$ 600,000
Buildings	2,400,885
Office equipment	26,752
Vehicles	<u>107,342</u>
Total	3,134,979
Less: Accumulated depreciation	<u>(161,716)</u>
	<u>\$ 2,973,263</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 have been 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, 2012

7. NOTES PAYABLE

Note payable to American Bank; original value of \$750,000; payable in monthly principal and interest payments of \$4,089 at 4.25%; final balloon payment due March 2017. Secured by real property.

Less: current portion

\$ 746,040
(17,704)

\$ 728,336

Future maturities of notes payable are as follows:

2013	\$	17,704
2014		18,471
2015		19,272
2016		20,107
2017		<u>670,486</u>

\$ 746,040

8. DEFERRED REVENUE

Deferred revenue consists of amounts already received for the 2013 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.

The following summarizes the deferred charitable annuity obligations at September 30, 2012:

Contributions Received		Annuity Obligation		
Fiscal year	Amount	Annual Payment	First Payment Date	Present Value of Obligation
2000	\$ 22,000	\$1,650	12/31/2024	\$ 18,789
2000	28,239	8,218	9/30/2020	38,863
2001	22,000	1,650	12/31/2024	18,789
2002	10,000	2,420	12/31/2025	12,698
2002	23,500	1,763	12/31/2024	20,071
2010	20,000	800	12/31/2030	665
2010	20,000	800	12/31/2022	1,255
2011	<u>10,000</u>	720	3/31/2011	<u>5,529</u>
	<u>\$ 155,739</u>			<u>\$ 116,659</u>

GREATER YELLOWSTONE COALITION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

10. RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

AB Front	\$ 117,780	
Phosphate mining	148,382	
Wildlife	1,291	
National Park gateway community	15,103	
Building	174,684	
Endowment investment income	390,467	
Gallatin campaign	4,515	
Yellowstone lake trout	15,106	
Other - for use on all programs	<u>424,509</u>	
Total		<u>\$ 1,291,837</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 is for 63 months from August 2008 to November 2013. 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 (2012) rent will be \$1,800. This is a related party transaction, as the primary owner of the leasing company is a current GYC board member.

Occupancy Leases

GYC had an operating lease for office space in Bozeman, Montana which expired May 31, 2012. Since GYC moved into its own building in January 2012, the Organization was liable to pay rent since the landlord did not re-let the premises for the balance of GYC's lease term.

GYC has an operating lease for space in Idaho Falls, Idaho through December 31, 2012, 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, 2012

11. OPERATING LEASES (Continued)

Occupancy Leases (continued)

GYC has also entered into an operating lease for space in Cody, Wyoming through February 28, 2012, 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 payments for this space are \$15,910 per year.

12. SUBLEASES AND LEASES TO OTHERS

GYC subleased a small amount of office space to another Organization in Bozeman under a year-to-year lease agreement through December 31, 2011, and received \$2,220 of rental income for the period of October through December 2011.

GYC also 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 \$3,283 in rental income for the year ended September 30, 2012.

There is a 1,412 sq.ft. space in GYC's new Bozeman building that is not needed by GYC, and which has been leased to another business for a three year term from April 1, 2012 to May 31, 2014. 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 \$6,600 in rental income for the period June through September 2012.

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. Minimum annual payments for the next fiscal year shall not exceed \$154,000.

Cycle Greater Yellowstone has also contracted with RaceIT for online event registration and sales services for an initial term which continues until September 1, 2013. 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. PENSION PLANS

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 \$56,354 contribution expense for the year ended September 30, 2012.

GREATER YELLOWSTONE COALITION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

14. PENSION PLANS (Continued)

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. DIRECT MAIL

Costs for direct mail are expensed as incurred. GYC expensed \$66,196 direct mail costs for the year ended September 30, 2012.

16. SUBSEQUENT EVENTS

Date of Management Evaluation

Management has evaluated subsequent events through February 19, 2013, the date on which the financial statements were available to be issued.

GREATER YELLOWSTONE COALITION, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
Year Ended September 30, 2012

ASSETS

	Greater Yellowstone Coalition	Cycle Greater Yellowstone	Eliminating Entries	Consolidated Balances
ASSETS				
Cash and cash equivalents	\$ 289,696	\$ 151,388	\$ -	\$ 441,084
Short-term investments	1,550,712	-	-	1,550,712
Receivables:				
Foundations	525,000	-	-	525,000
Individuals	254,921	-	-	254,921
Prepaid expenses	4,480	-	-	4,480
Retirement plan forfeitures	2,322	-	-	2,322
Fixed assets, net of accumulated depreciation	2,973,263	-	-	2,973,263
Endowment fund investments	2,352,051	-	-	2,352,051
 Total assets	 \$ 7,952,445	 \$ 151,388	 \$ -	 \$ 8,103,833

LIABILITIES AND NET ASSETS

LIABILITIES				
Accounts payable	\$ 53,497	\$ -	\$ -	\$ 53,497
Other liabilities	149,580	-	-	149,580
Deferred revenue	-	299,375	-	299,375
Accrued compensated absences	51,803	-	-	51,803
Retirement contributions payable	42,478	-	-	42,478
Due to others	14,700	-	-	14,700
Gift annuity obligations	116,659	-	-	116,659
Note payable	746,040	-	-	746,040
 Total liabilities	 1,174,757	 299,375	 -	 1,474,132
NET ASSETS				
Unrestricted:				
Designated by the Board	1,057,177	-	-	1,057,177
Unrestricted	2,467,090	(147,987)	-	2,319,103
Temporarily restricted	1,291,837	-	-	1,291,837
Permanently restricted	1,961,584	-	-	1,961,584
 Total net assets	 6,777,688	 (147,987)	 -	 6,629,701
 Total liabilities and net assets	 \$ 7,952,445	 \$ 151,388	 \$ -	 \$ 8,103,833

See independent auditors' report.

GREATER YELLOWSTONE COALITION, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended September 30, 2012

	Greater Yellowstone Coalition	Cycle Greater Yellowstone	Eliminating Entries	Consolidated Balances
REVENUE AND SUPPORT				
Members and patrons	\$ 1,281,126	\$ -	\$ -	\$ 1,281,126
Foundation grants	1,503,835	-	-	1,503,835
Endowment gifts	-	-	-	-
Bad debt loss	(25,000)	-	-	(25,000)
Special events	47,841	-	-	47,841
Sales	2,251	-	-	2,251
Annual meeting	4,037	-	-	4,037
Interest	40,454	-	-	40,454
Endowment earnings	70,542	-	-	70,542
Realized gain on sale of investments	(765)	-	-	(765)
Rental income	12,103	-	-	12,103
Retirement plan forfeitures	9,758	-	-	9,758
Unrealized gain (loss) on investments	367,859	-	-	367,859
Miscellaneous	36,316	-	-	36,316
Satisfaction of program restrictions	-	-	-	-
Total revenue and support	<u>3,350,357</u>	<u>-</u>	<u>-</u>	<u>3,350,357</u>
EXPENSES				
Program services and fiscal sponsorship	2,002,241	142,465	-	2,144,706
Supporting services:				
Administrative	262,087	5,522	-	267,609
Fundraising	335,984	-	-	335,984
Total expenses	<u>2,600,312</u>	<u>147,987</u>	<u>-</u>	<u>2,748,299</u>
CHANGE IN NET ASSETS	750,045	(147,987)	-	602,058
Net assets, beginning of year	<u>6,027,643</u>	<u>-</u>	<u>-</u>	<u>6,027,643</u>
NET ASSETS, end of year	<u>\$ 6,777,688</u>	<u>\$ (147,987)</u>	<u>\$ -</u>	<u>\$ 6,629,701</u>

See independent auditors' report.

GREATER YELLOWSTONE COALITION, INC.
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2012

	Greater Yellowstone Coalition				Cycle Greater Yellowstone		Eliminating Entries	Consolidated Balances
	Program Services	Administration	Fundraising	Fiscal Sponsorships	Program Services	Administration		
Salaries and wages	\$ 1,001,481	\$ 148,654	\$ 82,754	\$ -	\$ -	\$ -	\$ -	\$ 1,232,889
Payroll taxes	89,119	12,550	7,211	-	-	-	-	108,880
Employee benefits	192,794	36,485	19,470	-	-	-	-	248,749
Contracted services	102,730	-	-	101,160	-	-	-	203,890
IT services	45,439	125	8,003	-	110	-	-	53,677
Work study students	1,020	-	1,020	-	-	-	-	2,040
Advertising	3,610	-	698	25	27,929	-	-	32,262
Conferences	8,136	345	444	55	-	-	-	8,980
Board expenses	206	6,919	41	-	-	-	-	7,166
Depreciation	62,879	5,805	6,724	-	-	-	-	75,408
Direct mail	-	-	66,196	-	-	-	-	66,196
Donor recognition	-	-	85	-	-	-	-	85
Fact sheets and alerts	5,338	-	-	-	-	-	-	5,338
Gift annuity expense	-	-	22,718	-	-	-	-	22,718
Insurance	12,794	1,488	2,413	-	2,295	-	-	18,990
Interest	20,913	9,249	2,614	-	-	-	-	32,776
Minor equipment and maintenance	27,778	11,203	4,744	-	-	-	-	43,725
Newsletters	42,176	51	1,885	-	-	-	-	44,112
Other	635	-	4,000	-	-	-	-	4,635
Postage and mail processing	10,430	916	31,393	-	-	-	-	42,739
Printing	6,299	203	26,164	316	-	-	-	32,982
Professional fees	4,191	6,933	6,000	-	81,983	5,424	-	104,531
Property condo fees	1,744	1,253	370	-	-	-	-	3,367
Property taxes	-	180	-	-	-	-	-	180
Publications and dues	4,300	705	507	-	-	-	-	5,512
Rent	65,315	10,094	4,901	-	1,250	-	-	81,560
Small grants	10,193	-	-	6,843	-	-	-	17,036
Special events	56,669	-	7,478	850	-	-	-	64,997
Sales	1,364	-	2,499	-	2,866	-	-	6,729
Supplies	20,259	2,939	13,397	121	15,074	69	-	51,859
Telephone	23,867	1,940	1,850	-	-	29	-	27,686
Training	2,266	185	7	315	-	-	-	2,773
Travel	63,962	866	9,588	1,091	10,958	-	-	86,465
Utilities	3,558	2,999	810	-	-	-	-	7,367
Total	\$ 1,891,465	\$ 262,087	\$ 335,984	\$ 110,776	\$ 142,465	\$ 5,522	\$ -	\$ 2,748,299

See independent auditors' report