

**GREATER YELLOWSTONE COALITION, INC.**

**AUDITED FINANCIAL STATEMENTS**

**September 30, 2016**  
**(with Comparative Information for 2015)**



**AMATICS**  
**CPA GROUP**

**GREATER YELLOWSTONE COALITION, INC.  
CONTENTS**

<b>AUDITED FINANCIAL STATEMENTS</b>	<b><u>Page</u></b>
Independent auditors' report	3
Statement of financial position	4
Statement of activities	5
Statement of functional expenses	6
Statement of cash flows	7
Notes to financial statements	8 - 18



## **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), which comprise the statement of financial position as of September 30, 2016, and the related 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 of 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 auditors' 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 Organization'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 Organization'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 Greater Yellowstone Coalition, Inc., as of September 30, 2016, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited the Greater Yellowstone Coalition, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 29, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Amatics CPA Group**  
Bozeman, Montana  
January 30, 2017



**GREATER YELLOWSTONE COALITION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**September 30, 2016**  
**(With Comparative Totals as of September 30, 2015)**

**ASSETS**

	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,125,034	\$ 1,522,963
Short-term investments	3,111,067	2,267,498
Receivables:		
Foundations	725,000	417,678
Individuals	370,613	531,986
Other	8,890	19,471
Prepaid expenses	16,246	4,132
Retirement plan forfeitures	1,501	11,436
Fixed assets, net of accumulated depreciation	2,703,076	2,747,736
Endowment fund investments	2,812,990	2,742,167
 Total assets	 \$ 10,874,417	 \$ 10,265,067

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Accounts payable	\$ 18,492	\$ 31,964
Other liabilities	229,338	204,533
Deferred revenue	109,805	350
Accrued compensated absences	55,399	53,191
Retirement contributions payable	22,280	24,894
Due to others	13,723	13,657
Gift annuity obligations	67,191	63,669
Notes payable	1,500,000	1,500,000
 Total liabilities	 2,016,228	 1,892,258
 <b>NET ASSETS</b>		
Unrestricted:		
Unrestricted	3,413,658	2,399,824
Board designated	1,510,911	1,761,766
Temporarily restricted	1,953,534	2,231,133
Permanently restricted	1,980,086	1,980,086
 Total net assets	 8,858,189	 8,372,809
 Total liabilities and net assets	 \$ 10,874,417	 \$ 10,265,067

See the notes to financial statements.

**GREATER YELLOWSTONE COALITION, INC.**  
**STATEMENT OF ACTIVITIES**  
**Year Ended September 30, 2016**  
**(With Comparative Totals for the Year Ended September 30, 2015)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016 Totals</u>	<u>2015 Totals</u>
<b>REVENUE AND SUPPORT</b>					
Members and patrons	\$ 823,310	\$ 208,237	\$ -	\$ 1,031,547	\$ 2,316,889
Foundation grants	1,107,850	538,619	-	1,646,469	511,600
Bad debt loss	(9,588)	-	-	(9,588)	(1,243)
Special events	325,120	-	-	325,120	527,876
Sales	54,777	-	-	54,777	78,007
Interest	30,167	-	-	30,167	30,625
Endowment earnings	-	31,078	-	31,078	42,741
Realized gain on sale of investments	21,505	17,770	-	39,275	6,074
Rental income	37,260	-	-	37,260	40,300
Retirement plan forfeitures	-	-	-	-	1,833
Unrealized gain (loss) on investments	141,646	131,976	-	273,622	(161,415)
Miscellaneous	9,833	-	-	9,833	53,479
Satisfaction of program restrictions	<u>1,205,279</u>	<u>(1,205,279)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>3,747,159</u>	<u>(277,599)</u>	<u>-</u>	<u>3,469,560</u>	<u>3,446,766</u>
<b>EXPENSES</b>					
Program services	2,617,148	-	-	2,617,148	2,472,081
Administration	239,791	-	-	239,791	285,108
Fundraising	<u>127,241</u>	<u>-</u>	<u>-</u>	<u>127,241</u>	<u>122,359</u>
Total expenses	<u>2,984,180</u>	<u>-</u>	<u>-</u>	<u>2,984,180</u>	<u>2,879,548</u>
<b>CHANGE IN NET ASSETS</b>	762,979	(277,599)	-	485,380	567,218
Net assets, beginning of year	<u>4,161,590</u>	<u>2,231,133</u>	<u>1,980,086</u>	<u>8,372,809</u>	<u>7,805,591</u>
<b>NET ASSETS, end of year</b>	<u>\$ 4,924,569</u>	<u>\$ 1,953,534</u>	<u>\$ 1,980,086</u>	<u>\$ 8,858,189</u>	<u>\$ 8,372,809</u>

See the notes to financial statements.

**GREATER YELLOWSTONE COALITION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended September 30, 2016**  
**(With Comparative Totals for the Year Ended September 30, 2015)**

	<b>Program Services</b>	<b>Administration</b>	<b>Fundraising</b>	<b>2016 Totals</b>	<b>2015 Totals</b>
Personnel	\$ 1,219,465	\$ 164,954	\$ 74,659	\$ 1,459,078	\$ 1,393,241
Contracted and IT services	586,403	30,821	2,508	619,732	664,501
Advertising	14,016	37	-	14,053	14,396
Community outreach and board expenses	33,780	3,945	-	37,725	21,348
Depreciation	64,113	3,284	3,557	70,954	73,984
Insurance	12,571	14,477	-	27,048	30,676
Interest	30,000	-	-	30,000	19,838
Minor equipment and maintenance	67,600	2,848	1,405	71,853	58,338
Miscellaneous	1,467	158	6,292	7,917	4,654
Partnerships and special projects	343,242	-	-	343,242	315,940
Postage and printing	34,795	1,927	5,163	41,885	46,039
Professional fees	11,234	8,325	-	19,559	6,340
Property taxes	8	342	-	350	291
Publications and dues	1,606	153	-	1,759	1,168
Rent	28,169	1,020	-	29,189	29,027
Service fees	6,560	931	16,868	24,359	29,126
Special events, sales and sponsorships	10,356	1,489	6,502	18,347	35,109
Supplies	40,181	1,794	3,187	45,162	27,076
Travel	80,450	1,118	5,329	86,897	71,669
Utilities	31,132	2,168	1,771	35,071	36,787
<b>Total</b>	<b><u>\$ 2,617,148</u></b>	<b><u>\$ 239,791</u></b>	<b><u>\$ 127,241</u></b>	<b><u>\$ 2,984,180</u></b>	<b><u>\$ 2,879,548</u></b>

See the notes to financial statements.

**GREATER YELLOWSTONE COALITION, INC.**  
**STATEMENT OF CASH FLOWS**  
**Year Ended September 30, 2016**  
**(With Comparative Totals for the Year Ended September 30, 2015)**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 485,380	\$ 567,218
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	70,954	73,984
Reinvested interest, dividends and realized gains	(70,353)	(82,055)
Unrealized (gains) losses on investments	(273,622)	161,415
Donated stock	(351,833)	(155,786)
(Increase) decrease in current assets:		
Receivables	(135,368)	(465,755)
Prepaid expenses	(12,114)	1,891
Retirement plan forfeitures	9,935	(1,840)
Increase (decrease) in current liabilities:		
Accounts payable	(13,472)	2,018
Other liabilities	24,805	62,819
Deferred revenues	109,455	(5,625)
Retirement contributions payable	(2,614)	(6,213)
Due to others	66	595
Accrued compensated absences	2,208	14,867
Gift annuity payable	3,522	3,234
Net cash provided (used) by operating activities	<u>(153,051)</u>	<u>170,767</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(626,946)	(417,823)
Purchase of property and equipment	(26,294)	-
Proceeds from redemption of investments	<u>408,362</u>	<u>821,706</u>
Net cash provided by investing activities	<u>(244,878)</u>	<u>403,883</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term debt	-	1,500,000
Payments on long-term debt	<u>-</u>	<u>(636,788)</u>
Net cash provided by financing activities	<u>-</u>	<u>863,212</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(397,929)	1,437,862
Cash and cash equivalents, beginning of year	<u>1,522,963</u>	<u>85,101</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 1,125,034</u>	<u>\$ 1,522,963</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Cash paid for interest	<u>\$ 30,000</u>	<u>\$ 19,838</u>

See the notes to financial statements.

**GREATER YELLOWSTONE COALITION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Greater Yellowstone Coalition, Inc. (GYC) was formally organized and incorporated on 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. The separate CGY corporate entity was formally dissolved on March 30, 2016. CGY was a wholly owned subsidiary of Greater Yellowstone Coalition, Inc. and, as such, its financial statements were consolidated with GYC's for audit purposes. Separate Forms 990 were filed with the Internal Revenue Service (IRS) until CGY's dissolution. Going forward, CGY's activity will be reported within GYC and only one Form 990 will be filed.

**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 by 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 same reporting period.

Permanently restricted net assets: Net assets subject to donor-imposed stipulations that require that they be maintained permanently by GYC. Generally, the donors of the 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, 2016**

**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.

**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 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 protected by the Securities Investor Protection Corporation and additional insurance purchased by the broker-dealers, if the brokerage firm fails.

**Contributions and Receivables**

Contributions are recognized when the donor makes a promise to give 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. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When temporary restrictions expire, temporarily restricted net assets are reported in the statement of activities as net assets released from restrictions.

As required by Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, pledges receivable to be paid in more than one year from the date of the financial statements are discounted at the prime interest rate, 3.25%. The discount rate used in the present value technique to determine fair value of pledges receivable is revised at each measurement date to reflect current market conditions and the creditworthiness of donors. Subsequent changes in the fair value of pledges receivable are reported in the statement of activities as contribution revenue.

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

**Advertising**

Advertising costs are expensed as incurred.

**GREATER YELLOWSTONE COALITION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

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

**In-Kind Contributions**

The Organization records various types of in-kind support including donated merchandise, services, property and equipment. Contributed services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. In-kind contributions are reported in members and patrons revenue on the statement of activities.

**Fixed Assets and Depreciation**

Assets over the capitalization policy threshold of \$5,000 are carried at 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 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 capitalized assets is provided over the estimated useful lives of the respective assets on the straight-line method. 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

**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.

**Financial Statement Presentation**

Certain reclassifications have been made to the 2015 balances to conform to the 2016 presentation.

**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. Account balances held in financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank, per depositor. GYC's cash in bank deposit accounts may, at times, exceed federally insured limits. The Company has not experienced any losses on such accounts. As of September 30, 2016 and 2015, the Company's cash in bank deposits exceeded the federally insured limits by \$923,623 and \$1,539,334, respectively.

**GREATER YELLOWSTONE COALITION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**3. RECEIVABLES**

Receivables at September 30, 2016 consist of the following:

Pledges receivable, due in:		
Less than one year	\$	273,500
One to five years		<u>451,000</u>
Total pledges receivable		724,500
Less: discount to present value		<u>(53,887)</u>
Net pledges receivable		670,613
Grants receivable		425,000
Other receivables		<u>8,890</u>
Total receivables	\$	<u><u>1,104,503</u></u>

**4. INVESTMENTS**

Investment balances as of September 30, 2016 consist of the following:

	<b>Cost</b>	<b>Unrealized Gains/(Losses)</b>	<b>Fair Value</b>
Marketable equity securities - short term			
Money market fund	\$ 328,923	\$ -	\$ 328,923
Certificates of deposit	1,000,000	(843)	999,157
Mutual funds - foreign large blend	124,622	(14,986)	109,636
Mutual funds - intermediate government	215,647	2,474	218,121
Mutual funds - large blend	495,309	32,983	528,292
Mutual funds - moderate allocation	7,990	3,086	11,076
Mutual funds - short term bond	<u>899,917</u>	<u>15,945</u>	<u>915,862</u>
	<u>3,072,408</u>	<u>38,659</u>	<u>3,111,067</u>
Marketable equity securities - endowment			
Money market fund	3,466	-	3,466
Mutual funds - diversified emerging markets	97,544	(1,438)	96,106
Mutual funds - foreign large blend	242,950	44,237	287,187
Mutual funds - intermediate government	475,788	12,865	488,653
Mutual funds - intermediate term bonds	289,073	13,094	302,167
Mutual funds - large blend	988,323	200,806	1,189,129
Mutual funds - medium blend	190,619	25,093	215,712
Mutual funds - mid blend	<u>109,617</u>	<u>120,953</u>	<u>230,570</u>
	<u>2,397,380</u>	<u>415,610</u>	<u>2,812,990</u>
	<u>\$ 5,469,788</u>	<u>\$ 454,269</u>	<u>\$ 5,924,057</u>

**GREATER YELLOWSTONE COALITION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**4. INVESTMENTS (Continued)**

Components of investment and interest income for the year ended September 30, 2016 consist of the following:

Interest and dividends	\$ 61,245
Unrealized gains and losses	273,622
Realized gains and losses	<u>39,275</u>
	<u>\$ 374,142</u>

**5. FAIR VALUE MEASUREMENTS**

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures* 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 standards describe 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.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Further, although the Organization 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.

**GREATER YELLOWSTONE COALITION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**5. FAIR VALUE MEASUREMENTS (Continued)**

*Marketable securities* - fair value is based on quoted market prices for those securities

*Certificates of deposit* - fair value is based on cost of the investment plus accumulated earnings

*Pledges receivable* - fair value is the discounted net present value of expected future cash flows

The following table sets forth the Organization's assets at fair value as of September 30, 2016, by level within the fair value hierarchy:

Mutual funds - Level 1	\$ 4,592,511
Certificates of deposit - Level 2	\$ 999,157
Pledges receivable - Level 3	\$ 670,613

The reconciliation of the change in pledges receivable measured at fair value on a recurring basis using significant unobservable inputs (Level 3) is as follows:

Pledges receivable, beginning of year	\$ 969,135
Payments received	(279,511)
Pledges written off	(2,250)
Change in discount	<u>(16,761)</u>
Net present value of pledges receivable, end of year	<u>\$ 670,613</u>

**6. 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, 2016, 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.

**GREATER YELLOWSTONE COALITION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**6. ENDOWMENT (Continued)**

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 the September 30, 2016, the General Endowment Fund and the Montana Endowment Fund have no such deficiencies.

*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 and then from any net appreciation (realized and unrealized) in the fair value of the assets of the General Endowment Fund over the historic dollar value of the General Endowment Fund. Income is defined as dividends from stocks and interest from bond funds.

**GREATER YELLOWSTONE COALITION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**6. ENDOWMENT (Continued)**

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 condition, 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, 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ -	\$ 762,081	\$ 1,980,086	\$ 2,742,167
Investment return:				
Investment income, net	-	48,847	-	48,847
Net appreciation	-	131,976	-	131,976
Contributions	-	-	-	-
Released for expenditure	-	(110,000)	-	(110,000)
	<u>\$ -</u>	<u>\$ 832,904</u>	<u>\$ 1,980,086</u>	<u>\$ 2,812,990</u>

**7. FIXED ASSETS**

Fixed assets at September 30, 2016 consist of the following:

Land	\$ 600,000
Buildings	2,404,140
Office equipment	26,751
Vehicles	<u>117,101</u>
	3,147,992
Less: accumulated depreciation	<u>444,916</u>
	<u>\$ 2,703,076</u>

**8. DEFERRED REVENUE**

Deferred revenue consists of amounts received in fiscal year 2016 for the fiscal year 2017 Cycle Greater Yellowstone event.

**GREATER YELLOWSTONE COALITION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**9. NOTES PAYABLE**

In April 2015, Greater Yellowstone Coalition, Inc. received the opportunity to participate in a program-related investment (PRI) in the amount of \$1,500,000. PRIs are investments made by foundations to support charitable activities that involve the potential return of capital within an established time frame. Foundations make PRIs to further some aspect of their charitable mission. For the recipient, the primary benefit of a PRI is access to capital at lower rates than may otherwise be available. For the funder, the principal benefit is that the repayment of equity can be recycled for another charitable purpose. PRIs are valued as a means of leveraging philanthropic dollars.

These program-related investment funds were provided to GYC in the form of two loans. These loans are dated April 30, 2015 and due in five years on April 30, 2020 (at which point the loans can be called or rolled over), with 2% simple interest due annually. This funding provides the basis for two components of the Grizzly Campaign: \$1,000,000 to set up a revolving fund for private lands conservation and \$500,000 to set up a revolving fund for grazing allotment retirement.

**10. RESTRICTED NET ASSETS**

Temporarily restricted net assets as of September 30, 2016 are available for the following purposes:

Land	\$ 104,993
Water	14,109
Wildlife	936,142
Endowment investment income	832,904
Other - for use on all programs	<u>65,386</u>
	<u>\$ 1,953,534</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 (see Note 6). 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. 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. Vesting occurs in a six year graduating schedule starting with 20% after two years or upon attaining age 59 and 1/2, whichever comes first. The contribution 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. 4% of compensation). GYC recognized \$24,905 in contribution expense for the year ended September 30, 2016.



**GREATER YELLOWSTONE COALITION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**12. 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 value is calculated based upon the discount rate at the time of the gift and the estimated amount of payments expected based upon actuarial tables.

The following summarizes the deferred charitable annuity obligations at September 30, 2016:

<u>Contributions Received</u>		<u>Annuity Obligation</u>		
<u>Fiscal year</u>	<u>Amount</u>	<u>Annual Payment</u>	<u>First Payment Date</u>	<u>Present Value of Obligation</u>
2000	\$ 22,000	\$1,650	12/31/2024	\$ 8,165
2000	28,239	8,218	9/30/2020	28,198
2001	22,000	1,650	12/31/2024	8,000
2002	10,000	2,420	12/31/2025	6,668
2002	23,500	1,763	12/31/2024	11,010
2010	20,000	800	12/31/2030	648
2010	20,000	800	12/31/2022	1,278
2011	10,000	720	3/31/2011	3,224
	<u>\$ 155,739</u>			<u>\$ 67,191</u>

**13. OPERATING LEASES**

Equipment Leases

In December 2011, Greater Yellowstone Coalition, Inc. entered into a lease agreement for roof mounted solar electric and solar thermal systems. The term of the lease began when the equipment was ready for use, which occurred on February 1, 2012. The lease is for up to twenty years, with an option to purchase the equipment after five years. The base annual rent for the equipment is on a graduating scale and GYC paid rent of \$5,148 during the fiscal year ended 2016. The primary owner of the leasing company is a former GYC board member.

GYC also leases office equipment under short term operating lease agreements.

Occupancy Leases

GYC has entered into an operating lease for space in Cody, Wyoming through October 2017. The future minimum lease payments are \$5,676 per year. GYC has also entered into an operating lease for office space in Jackson, Wyoming through July 2017. The future minimum lease payments for this space are \$16,754 per year. GYC has entered into an operating lease for office space in Driggs, Idaho. The lease term is month-to-month with 30 days advance notice of termination. The future minimum lease payments for this space are \$400 per month.

Subleases

In the Bozeman, Montana building owned by GYC, five tenants lease space from the Organization. In addition, GYC subleases space in its Jackson, Wyoming office to another tenant. The lease terms range from month-to-month to three years and monthly payments range from \$250 to \$1,750. GYC received \$37,260 in rental income for the year ended September 30, 2016.

**GREATER YELLOWSTONE COALITION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**14. RELATED PARTIES**

During the year ended September 30, 2016, a total of \$95,752 was contributed to GYC by board members. As of September 30, 2016, pledges receivable from board members totaled \$131,000.

**15. SUBSEQUENT EVENTS**

Management Evaluation

Management has evaluated subsequent events through January 30, 2017, the date on which the financial statements were available to be issued.