

GREATER YELLOWSTONE COALITION, INC.

AUDITED FINANCIAL STATEMENTS

September 30, 2017 and 2016



AMATICS
CPA GROUP

**GREATER YELLOWSTONE COALITION, INC.
CONTENTS**

AUDITED FINANCIAL STATEMENTS	<u>Page</u>
Independent auditors' report	3
Statements of financial position	4
Statements of activities	5 - 6
Statements of functional expenses	7 - 8
Statements of cash flows	9
Notes to financial statements	10 - 20



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 statements of financial position as of September 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 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, 2017 and 2016, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Amatics CPA Group
Bozeman, Montana
February 6, 2018



GREATER YELLOWSTONE COALITION, INC.
STATEMENTS OF FINANCIAL POSITION

ASSETS

	September 30	
	2017	2016
ASSETS		
Cash and cash equivalents	\$ 2,901,395	\$ 1,125,034
Short-term investments	3,196,268	3,111,067
Pledges receivable	626,680	1,045,613
Grants receivable	116,371	425,000
Other receivables	4,371	8,890
Prepaid expenses	32,808	16,246
Retirement plan forfeitures	6,121	1,501
Fixed assets, net of accumulated depreciation	2,704,643	2,703,076
Endowment fund investments	3,048,198	2,812,990
Total assets	\$ 12,636,855	\$ 11,249,417

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 35,528	\$ 18,492
Other liabilities	214,846	229,338
Deferred revenue	111,610	109,805
Accrued compensated absences	44,840	55,399
Retirement contributions payable	42,727	22,280
Due to others	-	13,723
Gift annuity obligations	70,237	67,191
Notes payable	1,303,100	1,500,000
Total liabilities	1,822,888	2,016,228
NET ASSETS		
Unrestricted:		
Unrestricted	4,107,967	3,413,657
Board designated - board reserves	1,436,766	1,436,766
Board designated - building reserves	771,000	74,146
Temporarily restricted	2,516,933	2,328,534
Permanently restricted	1,981,301	1,980,086
Total net assets	10,813,967	9,233,189
Total liabilities and net assets	\$ 12,636,855	\$ 11,249,417

See the notes to financial statements.

GREATER YELLOWSTONE COALITION, INC.
STATEMENT OF ACTIVITIES
Year Ended September 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT				
Patrons	\$ 2,547,264	\$ 341,375	\$ -	\$ 2,888,639
Foundation grants	403,000	557,006	-	960,006
Bad debt loss	(8,000)	-	-	(8,000)
Special events	545,186	-	-	545,186
Sales	88,051	-	-	88,051
Interest and dividends	51,290	67,477	-	118,767
Realized gain on sale of investments	25,381	209,942	-	235,323
Unrealized gain on investments	46,346	67,790	-	114,136
Rental income	33,486	-	-	33,486
Miscellaneous	17,121	-	-	17,121
Annuity assignment reclassification	-	(1,215)	1,215	-
Endowment release of restrictions	110,000	(110,000)	-	-
Satisfaction of program restrictions	943,976	(943,976)	-	-
	<u>4,803,101</u>	<u>188,399</u>	<u>1,215</u>	<u>4,992,715</u>
EXPENSES				
Program services	2,697,372	-	-	2,697,372
Administration	395,392	-	-	395,392
Fundraising	319,173	-	-	319,173
	<u>3,411,937</u>	<u>-</u>	<u>-</u>	<u>3,411,937</u>
CHANGE IN NET ASSETS	1,391,164	188,399	1,215	1,580,778
Net assets, beginning of year	<u>4,924,569</u>	<u>2,328,534</u>	<u>1,980,086</u>	<u>9,233,189</u>
NET ASSETS, end of year	<u>\$ 6,315,733</u>	<u>\$ 2,516,933</u>	<u>\$ 1,981,301</u>	<u>\$ 10,813,967</u>

See the notes to financial statements.

GREATER YELLOWSTONE COALITION, INC.
STATEMENT OF ACTIVITIES
Year Ended September 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT				
Patrons	\$ 823,310	\$ 208,237	\$ -	\$ 1,031,547
Foundation grants	1,107,850	913,619	-	2,021,469
Bad debt loss	(9,588)	-	-	(9,588)
Special events	325,120	-	-	325,120
Sales	54,777	-	-	54,777
Interest and dividends	30,167	31,078	-	61,245
Realized gain on sale of investments	21,505	17,770	-	39,275
Unrealized gain on investments	141,646	131,976	-	273,622
Rental income	37,260	-	-	37,260
Miscellaneous	9,833	-	-	9,833
Endowment release of restrictions	110,000	(110,000)	-	-
Satisfaction of program restrictions	1,095,279	(1,095,279)	-	-
	<u>3,747,159</u>	<u>97,401</u>	<u>-</u>	<u>3,844,560</u>
Total revenue and support				
EXPENSES				
Program services	2,617,148	-	-	2,617,148
Administration	239,791	-	-	239,791
Fundraising	127,241	-	-	127,241
	<u>2,984,180</u>	<u>-</u>	<u>-</u>	<u>2,984,180</u>
Total expenses				
CHANGE IN NET ASSETS	762,979	97,401	-	860,380
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>
NET ASSETS, end of year	<u>\$ 4,924,569</u>	<u>\$ 2,328,534</u>	<u>\$ 1,980,086</u>	<u>\$ 9,233,189</u>

See the notes to financial statements.

GREATER YELLOWSTONE COALITION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2017

	Program			Total
	Services	Administration	Fundraising	
Personnel	\$ 1,285,680	\$ 281,606	\$ 211,770	\$ 1,779,056
Contracted services	619,355	44,506	30,463	694,324
Community outreach	42,233	-	-	42,233
Collaborative projects	170,966	-	-	170,966
Direct fundraising	645	-	34,984	35,629
Marketing and advertising	42,901	1,327	-	44,228
Information technology	59,669	3,758	1,135	64,562
Board expenses	12,064	5,988	-	18,052
Audit and legal fees	10,548	15,686	100	26,334
Insurance	26,554	2,187	-	28,741
Postage	16,343	787	3,041	20,171
Printing	41,670	1,936	14,611	58,217
Supplies	77,977	9,433	4,360	91,770
Travel	67,339	1,004	3,870	72,213
Training	7,519	3,260	-	10,779
Equipment	49,988	1,811	7,230	59,029
Rent	44,972	150	4,377	49,499
Interest	28,262	-	-	28,262
Communications	24,210	3,245	1,087	28,542
Miscellaneous	2,808	1,292	967	5,067
Utilities	9,181	2,595	10	11,786
Depreciation	56,488	14,821	1,168	72,477
	<u>\$ 2,697,372</u>	<u>\$ 395,392</u>	<u>\$ 319,173</u>	<u>\$ 3,411,937</u>
Total				

See the notes to financial statements.

GREATER YELLOWSTONE COALITION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2016

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

See the notes to financial statements.

GREATER YELLOWSTONE COALITION, INC.
STATEMENTS OF CASH FLOWS

	Years Ended September 30	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,580,778	\$ 860,380
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	72,477	70,954
Reinvested interest, dividends and realized gains	(354,089)	(70,353)
Unrealized gains on investments	(114,136)	(273,622)
Donated stock	(84,820)	(351,833)
PRI loan forgiveness	(196,900)	-
(Increase) decrease in current assets:		
Receivables	732,081	(510,368)
Prepaid expenses	(16,562)	(12,114)
Retirement plan forfeitures	(4,620)	9,935
Increase (decrease) in current liabilities:		
Accounts payable	17,036	(13,472)
Other liabilities	(14,492)	24,805
Deferred revenues	1,805	109,455
Retirement contributions payable	20,447	(2,614)
Due to others	(13,723)	66
Accrued compensated absences	(10,559)	2,208
Gift annuity payable	3,046	3,522
Net cash provided (used) by operating activities	1,617,769	(153,051)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(74,044)	(26,294)
Purchase of investments	(1,072,532)	(626,946)
Proceeds from redemption of investments	1,305,168	408,362
Net cash provided (used) by investing activities	158,592	(244,878)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	1,776,361	(397,929)
Cash and cash equivalents, beginning of year	1,125,034	1,522,963
CASH AND CASH EQUIVALENTS, END OF YEAR		
	\$ 2,901,395	\$ 1,125,034
NONCASH INVESTING AND FINANCING ACTIVITIES		
Cash paid for interest	\$ 29,738	\$ 30,000

See the notes to financial statements.

GREATER YELLOWSTONE COALITION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 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.

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.

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.

GREATER YELLOWSTONE COALITION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

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 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.

Unconditional promises to give (pledges receivable) are recognized as revenues in the period received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Intentions to give are recognized when payments are received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discount on those amounts are computed using the prime interest rate. Amortization of the discounts is included in contribution revenue. In the absence or donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date.

The Organization 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.

Deferred Revenue

Deferred revenue consists of amounts received in the current fiscal year for the next year's Cycle Greater Yellowstone event and Winter Wildlife tours.

Advertising

Advertising costs are expensed as incurred.

GREATER YELLOWSTONE COALITION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 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

Financial Statement Presentation

Certain reclassifications have been made to the 2016 balances to conform to the 2017 presentation. Additionally, the statement of functional expenses has been modified in fiscal year 2017 to reflect updated account groupings, classifications, and allocations. As such, the 2016 and 2017 statement of functional expense presentations are not directly comparable.

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, 2017 and 2016, the Company's cash in bank deposits exceeded the federally insured limits by \$2,718,693 and \$923,623, respectively.

GREATER YELLOWSTONE COALITION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

3. PLEDGES RECEIVABLE

Pledges receivable at September 30, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Pledges receivable, due in:		
Less than one year	\$ 342,500	\$ 398,500
One to five years	<u>298,359</u>	<u>701,000</u>
Total pledges receivable	640,859	1,099,500
Less: discount to present value	<u>(14,179)</u>	<u>(53,887)</u>
Net pledges receivable	<u>\$ 626,680</u>	<u>\$ 1,045,613</u>

In addition to the pledges receivable recognized above, Greater Yellowstone Coalition, Inc. is named as the beneficiary of conditional gifts and bequests, the fair value of which are not determinable.

4. INVESTMENTS

Investment balances as of September 30, 2017 consist of the following:

	<u>Cost</u>	<u>Unrealized Gains/(Losses)</u>	<u>Fair Value</u>
Marketable equity securities - short term			
Money market fund	\$ 286,998	\$ -	\$ 286,998
Certificates of deposit	1,004,000	392	1,004,392
Mutual funds - foreign large blend	200,794	3,289	204,083
Mutual funds - intermediate government	56,979	-	56,979
Mutual funds - intermediate term bonds	541,016	(520)	540,496
Mutual funds - large blend	447,268	1,064	448,332
Mutual funds - medium blend	10,939	1,439	12,378
Mutual funds - short term bond	301,887	2,730	304,617
Mutual funds - world bond	<u>337,993</u>	<u>-</u>	<u>337,993</u>
	<u>3,187,874</u>	<u>8,394</u>	<u>3,196,268</u>
Marketable equity securities - endowment			
Mutual funds - foreign large blend	605,596	84,965	690,561
Mutual funds - intermediate term bonds	586,227	4,502	590,729
Mutual funds - large growth	498,518	158,465	500,651
Mutual funds - large blend	646,862	158,465	805,327
Mutual funds - short term bond	204,540	(191)	204,349
Mutual funds - world bond	<u>256,581</u>	<u>-</u>	<u>256,581</u>
	<u>2,798,324</u>	<u>406,206</u>	<u>3,048,198</u>
	<u>\$ 5,986,198</u>	<u>\$ 414,600</u>	<u>\$ 6,244,466</u>

GREATER YELLOWSTONE COALITION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

4. INVESTMENTS (Continued)

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

	<u>Cost</u>	<u>Unrealized Gains/(Losses)</u>	<u>Fair Value</u>
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	899,917	15,945	915,862
	<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	109,617	120,953	230,570
	<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>

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.

GREATER YELLOWSTONE COALITION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

5. FAIR VALUE MEASUREMENTS (Continued)

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.

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, 2017 and 2016, by level within the fair value hierarchy:

	<u>2017</u>	<u>2016</u>
Mutual funds - Level 1	\$ 4,953,076	\$ 4,592,511
Certificates of deposit - Level 2	\$ 1,004,392	\$ 999,157
Pledges receivable - Level 3	\$ 626,680	\$ 1,045,613

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	\$ 1,045,613	
Payments received	(450,641)	
Pledges written off	(8,000)	
Change in discount	<u>39,708</u>	
Net present value of pledges receivable, end of year		<u>\$ 626,680</u>

GREATER YELLOWSTONE COALITION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

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, 2017, 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 the September 30, 2017, 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.

GREATER YELLOWSTONE COALITION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

6. ENDOWMENT (Continued)

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). The endowment fund is to be invested with the objective of preserving the long-term, real purchasing power of assets while providing a relatively predictable and growing stream of annual distributions in support of the Institution.

Spending Policy and How the Investment Objectives Relate to Spending Policy

For the purpose of making distributions, the fund shall make use of a total-return-based spending policy, meaning that it will fund distributions from net investment income, net realized capital gains, and proceeds from the sale of investments. The distribution of endowment fund assets will be permitted to the extent that such distributions do not exceed a level that would erode the Endowment Fund's real assets over time. The Board will seek to reduce the variability of annual endowment fund distributions by factoring past spending and Portfolio asset values into its current spending decisions. The Board will review its spending assumptions annually for the purpose of deciding whether any changes therein necessitate amending the endowment fund's spending policy, its target asset allocation, or both.

Greater Yellowstone General Endowment Fund: It is Greater Yellowstone Coalition's policy to distribute an amount, not to exceed 5% annually, of a trailing three-year average of the endowment's total asset value, with the understanding that this spending rate plus inflation will not normally exceed total return from investment over a ten-year time horizon.

Endowment net asset activity by type of fund as of September 30, 2017 and 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Balances, September 30, 2015	\$ -	\$ 762,081	\$ 1,980,086	\$ 2,742,167
Investment return:				
Investment income, net	-	48,847	-	48,847
Net appreciation	-	131,976	-	131,976
Released for expenditure	<u>-</u>	<u>(110,000)</u>	<u>-</u>	<u>(110,000)</u>
Balances, September 30, 2016	-	832,904	1,980,086	2,812,990
Investment return:				
Investment income, net	-	277,418	-	277,418
Net appreciation	-	67,790	-	67,790
Annuity assignment reclassification	-	(1,215)	1,215	-
Released for expenditure	<u>-</u>	<u>(110,000)</u>	<u>-</u>	<u>(110,000)</u>
Balances, September 30, 2017	<u>\$ -</u>	<u>\$ 1,066,897</u>	<u>\$ 1,981,301</u>	<u>\$ 3,048,198</u>

GREATER YELLOWSTONE COALITION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

7. FIXED ASSETS

Fixed assets at September 30, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Land	\$ 600,000	\$ 600,000
Buildings	2,426,140	2,404,140
Office equipment	26,751	26,751
Vehicles	<u>169,145</u>	<u>117,101</u>
	3,222,036	3,147,992
Less: accumulated depreciation	<u>(517,393)</u>	<u>(444,916)</u>
	<u>\$ 2,704,643</u>	<u>\$ 2,703,076</u>

8. 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.

During fiscal year 2017, \$196,900 of the PRI loans was forgiven, based on the Organization's ability to generate matching contributions, as delineated by the loan holder. This amount is recognized as revenue in the year of loan forgiveness.

9. RESTRICTED NET ASSETS

Temporarily restricted net assets as of September 30, 2017 and 2016 are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Land	\$ 207,379	\$ 104,993
Water	38,203	14,109
Wildlife	1,201,438	1,311,142
Other - for use on all programs	3,016	65,386
Endowment investment income	<u>1,066,897</u>	<u>832,904</u>
	<u>\$ 2,516,933</u>	<u>\$ 2,328,534</u>

GREATER YELLOWSTONE COALITION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

9. RESTRICTED NET ASSETS (Continued)

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, provide a cushion against fluctuations in cash flow, and make necessary expenditures for building maintenance as needed.

10. RELATED PARTIES

During the years ended September 30, 2017 and 2016, \$419,774 and \$95,752 were contributed to GYC by board members. As of September 30, 2017 and 2016, pledges receivable from board members totaled \$72,000 and \$131,000, respectively.

11. 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, 2017 and 2016:

Contributions Received		Annuity Obligation			
Fiscal year	Amount	Annual Payment	First Payment Date	Present Value of Obligation 2017	Present Value of Obligation 2016
2000	\$ 22,000	\$1,650	12/31/2024	\$ 8,681	\$ 8,165
2000	28,239	8,218	9/30/2020	30,285	28,198
2001	22,000	1,650	12/31/2024	8,681	8,000
2002	10,000	2,420	12/31/2025	7,068	6,668
2002	23,500	1,763	12/31/2024	12,278	11,010
2010	20,000	800	12/31/2030	669	648
2010	20,000	800	12/31/2022	-	1,278
2011	10,000	720	3/31/2011	2,575	3,224
	<u>\$ 155,739</u>			<u>\$ 70,237</u>	<u>\$ 67,191</u>

12. PENSION 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. a percentage of compensation). GYC recognized \$31,104 and \$24,905 in contribution expense for the years ended September 30, 2017 and 2016, respectively.

GREATER YELLOWSTONE COALITION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

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 primary owner of the leasing company is a former GYC board member. 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. GYC exercised the option to purchase the equipment during fiscal year 2017.

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

Occupancy Leases

GYC leases office space in Cody, Wyoming, under an operating lease agreement through November 2019. Future minimum lease payments are \$6,000 per year.

GYC leases office space in Jackson, Wyoming, under an operating lease agreement through July 2018. Future minimum lease payments for this space are \$17,102 per year.

GYC leases 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, a number of 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 \$125 to \$1,750. GYC received \$33,486 and \$37,260 in rental income for the years ended September 30, 2017 and 2016, respectively.

14. PRIOR PERIOD RESTATEMENT

Certain errors resulting in an understatement of previously reported pledges receivable and foundation grant revenue were discovered during the current year. Accordingly, the 2016 financial statements presented here are restated to correct for this failure to record a pledge receivable. The net effect of this restatement increased pledges receivable and temporarily restricted foundation grant revenue/net assets at September 30, 2016 by \$375,000.

15. SUBSEQUENT EVENTS

Management Evaluation

Management has evaluated subsequent events through February 6, 2018, the date on which the financial statements were available to be issued.