

GREATER YELLOWSTONE COALITION, INC.

AUDITED FINANCIAL STATEMENTS

September 30, 2019 and 2018



AMATICS
CPA GROUP

**GREATER YELLOWSTONE COALITION, INC.
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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, 2019 and 2018, 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Amatics CPA Group
Bozeman, Montana
February 19, 2020



**GREATER YELLOWSTONE COALITION, INC.
STATEMENTS OF FINANCIAL POSITION**

ASSETS

	September 30	
	2019	2018
ASSETS		
Cash and cash equivalents	\$ 435,184	\$ 1,134,755
Board designated cash and cash equivalents	23,928	25,777
Investments	4,365,859	3,490,135
Board designated investments	2,412,932	2,270,919
Unconditional promises to give	186,570	1,411,319
Grants receivable	-	10,000
Other receivables	3,069	3,847
Prepaid expenses	26,773	28,552
Retirement plan forfeitures	12,724	6,820
Fixed assets, net of accumulated depreciation	2,792,227	2,629,855
Endowment fund investments	3,324,095	3,285,783
Total assets	\$ 13,583,361	\$ 14,297,762

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 67,332	\$ 29,398
Other liabilities	154,453	173,371
Deferred revenue	90,650	114,317
Accrued compensated absences	83,874	74,449
Retirement contributions payable	56,429	47,450
Gift annuity obligations	77,823	73,541
Notes payable	1,000,000	1,178,734
Total liabilities	1,530,561	1,691,260
NET ASSETS		
Without donor restrictions:		
Undesignated	4,038,208	4,455,944
Board designated - board reserves	1,569,688	1,488,130
Board designated - building reserves	867,172	808,566
With donor restrictions	5,577,732	5,853,862
Total net assets	12,052,800	12,606,502
Total liabilities and net assets	\$ 13,583,361	\$ 14,297,762

See the notes to financial statements.

GREATER YELLOWSTONE COALITION, INC.
STATEMENT OF ACTIVITIES
Year Ended September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Patrons	\$ 849,905	\$ 704,111	\$ 1,554,016
Foundation grants	349,959	443,502	793,461
Special events	611,006	-	611,006
Sales	18,903	-	18,903
Investment return, net	214,634	140,744	355,378
Rental income	29,419	-	29,419
Miscellaneous	29,743	-	29,743
Endowment release of restrictions	100,000	(100,000)	-
Satisfaction of program restrictions	1,464,487	(1,464,487)	-
Total revenue and support	<u>3,668,056</u>	<u>(276,130)</u>	<u>3,391,926</u>
EXPENSES			
Program services	3,162,093	-	3,162,093
Administration	413,028	-	413,028
Fundraising	370,507	-	370,507
Total expenses	<u>3,945,628</u>	<u>-</u>	<u>3,945,628</u>
CHANGE IN NET ASSETS	(277,572)	(276,130)	(553,702)
Net assets, beginning of year	<u>6,752,640</u>	<u>5,853,862</u>	<u>12,606,502</u>
NET ASSETS, end of year	<u>\$ 6,475,068</u>	<u>\$ 5,577,732</u>	<u>\$ 12,052,800</u>

See the notes to financial statements.

GREATER YELLOWSTONE COALITION, INC.
STATEMENT OF ACTIVITIES
Year Ended September 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Patrons	\$ 1,744,159	\$ 426,627	\$ 2,170,786
Foundation grants	708,120	1,592,314	2,300,434
Special events	558,531	-	558,531
Sales	28,344	-	28,344
Investment return, net	106,285	235,153	341,438
Rental income	31,814	-	31,814
Miscellaneous	8,938	-	8,938
Satisfaction of program restrictions	898,466	(898,466)	-
	<u>4,084,657</u>	<u>1,355,628</u>	<u>5,440,285</u>
EXPENSES			
Program services	2,953,812	-	2,953,812
Administration	358,649	-	358,649
Fundraising	335,289	-	335,289
	<u>3,647,750</u>	<u>-</u>	<u>3,647,750</u>
CHANGE IN NET ASSETS	436,907	1,355,628	1,792,535
Net assets, beginning of year	<u>6,315,733</u>	<u>4,498,234</u>	<u>10,813,967</u>
NET ASSETS, end of year	<u><u>\$ 6,752,640</u></u>	<u><u>\$ 5,853,862</u></u>	<u><u>\$ 12,606,502</u></u>

See the notes to financial statements.

GREATER YELLOWSTONE COALITION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2019

	Program Services	Administration	Fundraising	Total
Personnel	\$ 1,640,338	\$ 354,520	\$ 216,349	\$ 2,211,207
Contracted services	597,182	10,452	19,616	627,250
Community outreach	70,191	22	19	70,232
Collaborative projects	265,455	-	-	265,455
Direct fundraising	7,361	-	23,255	30,616
Marketing and advertising	64,572	635	3,325	68,532
Information technology	54,838	6,787	20,060	81,685
Board expenses	3,635	3,403	-	7,038
Audit and legal fees	4,886	8,605	10	13,501
Insurance	29,178	3,104	6,674	38,956
Postage	15,865	585	14,717	31,167
Printing	44,145	516	26,175	70,836
Supplies	83,390	2,096	3,731	89,217
Travel	54,792	2,891	13,312	70,995
Training	5,847	544	326	6,717
Equipment	50,568	1,689	5,663	57,920
Rent	43,922	130	40	44,092
Interest	20,720	-	-	20,720
Communications	18,877	3,374	5,788	28,039
Miscellaneous	12,271	1,252	3,676	17,199
Utilities	8,948	1,116	1,596	11,660
Depreciation	65,112	11,307	6,175	82,594
	<u>\$ 3,162,093</u>	<u>\$ 413,028</u>	<u>\$ 370,507</u>	<u>\$ 3,945,628</u>
Total				

See the notes to financial statements.

GREATER YELLOWSTONE COALITION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2018

	Program Services	Administration	Fundraising	Total
Personnel	\$ 1,411,589	\$ 317,309	\$ 240,664	\$ 1,969,562
Contracted services	672,023	8,167	14,087	694,277
Community outreach	70,049	-	-	70,049
Collaborative projects	152,404	-	-	152,404
Direct fundraising	980	-	32,449	33,429
Marketing and advertising	90,046	625	2,155	92,826
Information technology	66,859	1,517	610	68,986
Audit and legal fees	7,717	8,650	-	16,367
Insurance	32,915	2,970	127	36,012
Postage	9,157	431	7,574	17,162
Printing	37,594	568	9,329	47,491
Supplies	68,069	970	10,101	79,140
Travel	74,771	1,476	11,637	87,884
Training	14,970	2,202	-	17,172
Equipment	46,052	1,155	1,560	48,767
Rent	48,507	(417)	4,955	53,045
Interest	25,089	-	-	25,089
Communications	29,266	3,059	-	32,325
Miscellaneous	11,555	804	41	12,400
Utilities	10,935	1,022	-	11,957
Depreciation	73,265	8,141	-	81,406
Total	\$ 2,953,812	\$ 358,649	\$ 335,289	\$ 3,647,750

See the notes to financial statements.

**GREATER YELLOWSTONE COALITION, INC.
STATEMENTS OF CASH FLOWS**

	Years Ended September 30	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (553,702)	\$ 1,792,535
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	82,594	81,406
Investment return, net	(355,378)	(350,626)
Donated stock	(65,111)	(107,712)
PRI loan forgiveness	(178,734)	(124,366)
(Increase) decrease in current assets:		
Receivables	1,235,527	(677,744)
Prepaid expenses	1,779	4,256
Retirement plan forfeitures	(5,904)	(699)
Increase (decrease) in current liabilities:		
Accounts payable	37,934	(6,130)
Other liabilities	(18,918)	(41,475)
Deferred revenues	(23,667)	2,707
Retirement contributions payable	8,979	4,723
Due to others	-	-
Accrued compensated absences	9,425	29,609
Gift annuity payable	4,282	3,304
	<u>179,106</u>	<u>609,788</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(244,966)	(6,618)
Purchase of investments	(2,059,757)	(2,439,843)
Proceeds from redemption of investments	1,424,197	95,810
	<u>(880,526)</u>	<u>(2,350,651)</u>
Net cash used by investing activities		
NET DECREASE IN CASH AND CASH EQUIVALENTS	(701,420)	(1,740,863)
Cash and cash equivalents, beginning of year	<u>1,160,532</u>	<u>2,901,395</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 459,112</u>	<u>\$ 1,160,532</u>
CASH AND CASH EQUIVALENTS IS COMPRISED OF:		
Cash and cash equivalents	\$ 435,184	\$ 1,134,755
Board designated cash and cash equivalents	23,928	25,777
	<u>\$ 459,112</u>	<u>\$ 1,160,532</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Cash paid for interest	<u>\$ 22,800</u>	<u>\$ 25,699</u>

See the notes to financial statements.

GREATER YELLOWSTONE COALITION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

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 or grantor imposed restrictions. Accordingly, net assets of GYC and changes therein are classified as follows:

- *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets to be held in perpetuity for board-designated purposes.
- *Net Assets With Donor Restrictions* - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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, 2019 and 2018

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 net assets with donor restrictions and are reclassified to net assets without donor restrictions upon satisfaction of the restriction. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. When restrictions expire, net assets with donor restrictions are reported in the statement of activities as net assets released from restrictions.

Unconditional promises to give 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.

Reimbursable grants are recorded when the qualifying expenditures are incurred.

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, 2019 and 2018

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 net assets with donor restrictions to net assets without donor restrictions 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

Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Directly identifiable expenses are charged to programs and supporting services. Costs that relate to more than one function and are allocated among the programs and supporting services benefited on the basis of estimates of time and effort.

Resources Available and Unavailable for General Expenditure

The Organization has certain donor-restricted net assets that are available for general expenditures within one year of September 30, 2019, because the restrictions on the net assets are expected to be met by conducting the normal activities of the programs in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year. The Organization has other assets limited to use for donor-restricted purposes that are not expected to be spent in the coming year, which are not included. Additionally, the Board of Directors has designated certain investments to be held for certain purposes as described in Note 10. Because of the Board of Directors' designation, those investments are not considered to be available for general expenditures within the next year; however, the Board could make them available, if necessary.

GREATER YELLOWSTONE COALITION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in Accounting Principle

In fiscal year 2019, the Organization retroactively adopted the requirements in FASB Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, which amends the requirements for financial statements and notes in ASC Topic 958, Not-for-Profit Entities. The main provisions of this update include net asset terminology and category changes, revised disclosures related to liquidity and availability of financial resources, functional expense allocation methodology descriptions, investment return presentation, and treatment of underwater endowments.

Financial Statement Presentation

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. On the 2018 statement of activities, the Organization reclassified \$426,000 of contribution revenue to appropriately report time restricted funds as donor restricted. This resulted in an increase to net assets with donor restrictions and a decrease to net assets without donor restrictions as of September 30, 2018.

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, 2019 and 2018, the Company's cash in bank deposits exceeded the federally insured limits by \$379,389 and \$986,745, respectively.

3. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at September 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Unconditional promises to give, due in:		
Less than one year	\$ 136,570	\$ 1,343,900
One to five years	<u>50,000</u>	<u>70,959</u>
Total unconditional promises to give	186,570	1,414,859
Less: discount to present value	<u>-</u>	<u>(3,540)</u>
Net unconditional promises to give	<u>\$ 186,570</u>	<u>\$ 1,411,319</u>

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

GREATER YELLOWSTONE COALITION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

4. INVESTMENTS

Investment balances as of September 30, 2019 consist of the following:

	<u>Cost</u>	<u>Unrealized Gains/(Losses)</u>	<u>Fair Value</u>
Marketable securities			
Money market funds	\$ 3,765,797	\$ -	\$ 3,765,797
Certificates of deposit	510,000	826	510,826
Mutual funds - intermediate government	24,381	356	24,737
Mutual funds - large blend	63,805	694	64,499
	<u>4,363,983</u>	<u>1,876</u>	<u>4,365,859</u>
 Marketable securities - board designated			
Mutual funds - foreign large blend	520,347	(31,719)	488,628
Mutual funds - intermediate term bonds	525,332	19,114	544,446
Mutual funds - large blend	405,322	53,109	458,431
Mutual funds - large growth	302,969	22,605	325,574
Mutual funds - long term bond	75,758	135	75,893
Mutual funds - short term bond	183,399	2,543	185,942
Mutual funds - world bond	309,222	24,796	334,018
	<u>2,322,349</u>	<u>90,583</u>	<u>2,412,932</u>
 Marketable securities - endowment			
Mutual funds - foreign large blend	676,865	43,533	720,398
Mutual funds - intermediate term bonds	613,372	22,822	636,194
Mutual funds - large growth	510,697	100,701	611,398
Mutual funds - large blend	604,947	231,912	836,859
Mutual funds - long term bond	52,655	94	52,749
Mutual funds - short term bond	163,130	979	164,109
Mutual funds - world bond	280,251	22,137	302,388
	<u>2,901,917</u>	<u>422,178</u>	<u>3,324,095</u>
	<u>\$ 9,588,249</u>	<u>\$ 514,637</u>	<u>\$ 10,102,886</u>

GREATER YELLOWSTONE COALITION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

4. INVESTMENTS (Continued)

Investment balances as of September 30, 2018 consist of the following:

	<u>Cost</u>	<u>Unrealized Gains/(Losses)</u>	<u>Fair Value</u>
Marketable securities			
Money market funds	\$ 2,323,349	\$ -	\$ 2,323,349
Certificates of deposit	1,015,000	4,251	1,019,251
Mutual funds - intermediate government	37,247	(53)	37,194
Mutual funds - intermediate term bonds	-	-	-
Mutual funds - large blend	103,281	7,060	110,341
	<u>3,478,877</u>	<u>11,258</u>	<u>3,490,135</u>
Marketable securities - board designated			
Mutual funds - foreign large blend	483,549	(12,288)	471,261
Mutual funds - intermediate term bonds	509,732	(17,653)	492,079
Mutual funds - large blend	395,613	48,265	443,878
Mutual funds - large growth	298,120	11,203	309,323
Mutual funds - short term bond	257,689	(3,482)	254,207
Mutual funds - world bond	300,037	134	300,171
	<u>2,244,740</u>	<u>26,179</u>	<u>2,270,919</u>
Marketable securities - endowment			
Mutual funds - foreign large blend	655,573	75,639	731,212
Mutual funds - intermediate term bonds	580,947	(15,461)	565,486
Mutual funds - large blend	655,279	204,041	859,320
Mutual funds - large growth	546,439	87,014	633,453
Mutual funds - short term bond	218,755	(4,683)	214,072
Mutual funds - world bond	282,433	(193)	282,240
	<u>2,939,426</u>	<u>346,357</u>	<u>3,285,783</u>
	<u>\$ 8,663,043</u>	<u>\$ 383,794</u>	<u>\$ 9,046,837</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.

GREATER YELLOWSTONE COALITION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

5. FAIR VALUE MEASUREMENTS (Continued)

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.

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

Unconditional promises to give - 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, 2019 and 2018, by level within the fair value hierarchy:

	<u>2019</u>	<u>2018</u>
Mutual funds - Level 1	\$ 5,826,263	\$ 5,704,237
Certificates of deposit - Level 2	\$ 510,826	\$ 1,019,251
Unconditional promises to give - Level 3	\$ 186,570	\$ 1,411,319

GREATER YELLOWSTONE COALITION, INC.
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5. FAIR VALUE MEASUREMENTS (Continued)

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:

Unconditional promises to give, beginning of year	\$ 1,411,319
Additional promises	191,002
Payments received	(1,419,291)
Change in discount	<u>3,540</u>
Net present value of unconditional promises to give, end of year	<u><u>\$ 186,570</u></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 years ended September 30, 2019 and 2018, fees paid for management of endowment funds were \$7,080 and \$9,185, respectively.

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 retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Donor-restricted amounts not retained in perpetuity are subject to appropriation 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.

GREATER YELLOWSTONE COALITION, INC.
NOTES TO FINANCIAL STATEMENTS
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6. ENDOWMENT (Continued)

As of September 30, 2019 and 2018, endowment net asset composition by type of fund is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
September 30, 2019:			
Donor-restricted endowment funds			
Original donor-restricted gift amounts to be maintained in perpetuity	\$ -	\$ 1,982,350	\$ 1,982,350
Accumulated investment earnings	-	1,341,745	1,341,745
	\$ -	\$ 3,324,095	\$ 3,324,095
September 30, 2018:			
Donor-restricted endowment funds			
Original donor-restricted gift amounts to be maintained in perpetuity	\$ -	\$ 1,982,350	\$ 1,982,350
Accumulated investment earnings	-	1,301,001	1,301,001
	\$ -	\$ 3,283,351	\$ 3,283,351

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, 2019, 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). 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.

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6. ENDOWMENT (Continued)

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.

Change in endowment net assets for the years ended September 30, 2019 and 2018 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Balances, September 30, 2017	\$ -	\$ 3,048,198	\$ 3,048,198
Investment return:			
Investment return, net	-	235,153	235,153
Balances, September 30, 2018	-	3,283,351	3,283,351
Investment return:			
Investment return, net	-	140,744	140,744
Released for expenditure	-	(100,000)	(100,000)
Balances, September 30, 2019	<u>\$ -</u>	<u>\$ 3,324,095</u>	<u>\$ 3,324,095</u>

7. FIXED ASSETS

Fixed assets at September 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 828,341	\$ 600,000
Buildings	2,426,140	2,426,140
Office equipment	33,369	33,369
Vehicles	165,246	169,145
	3,453,096	3,228,654
Less: accumulated depreciation	(660,869)	(598,799)
	<u>\$ 2,792,227</u>	<u>\$ 2,629,855</u>

GREATER YELLOWSTONE COALITION, INC.
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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 the years ended September 30, 2019 and 2018, \$178,734 and \$124,366 of the PRI loans were forgiven, based on the Organization's ability to generate matching contributions, as delineated by the loan holder. The amounts are recognized as revenue in the year of loan forgiveness. As of September 30, 2019 the grazing allotment retirement loan with an original balance of \$500,000 had a balance of \$0.

Effective December 2, 2019, the \$1,000,000 loan's maturity date was extended to April 30, 2025.

9. BOARD DESIGNATED NET ASSETS

Net assets the Board of Directors has designated and may not be spent without the permission of the Board of Directors as of September 30, 2019 and 2018 are as follows:

	2019	2018
Board reserve	\$ 1,569,688	\$ 1,488,130
Building reserve	867,172	808,566
	\$ 2,436,860	\$ 2,296,696

The Board reserve was established to assure that the Organization has flexibility to launch new initiatives, undertake long term endeavors, and provide a cushion against fluctuations in cash flow. The building reserve was established to provide funds for normal repair and long term maintenance of the Organization's headquarters building in Bozeman, Montana.

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10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of September 30, 2019 and 2018 consist of the following:

	2019	2018
Subject to passage of time:		
Unconditional promises to give, not restricted by donors but are unavailable for expenditure until received	\$ 100,500	\$ 426,000
Subject to expenditure for specific purpose:		
Land	152,463	96,848
Water	-	38,106
Wildlife	1,914,604	1,031,738
Unconditional promises to give, the proceeds from which have been restricted by donors for		
Land	26,802	-
Wildlife	59,268	977,819
Endowment earnings	<u>1,341,745</u>	<u>1,301,001</u>
	<u>3,494,882</u>	<u>3,445,512</u>
Endowment to be held in perpetuity	<u>1,982,350</u>	<u>1,982,350</u>
	<u>\$ 5,577,732</u>	<u>\$ 5,853,862</u>

11. RELATED PARTIES

During the years ended September 30, 2019 and 2018, \$133,092 and \$173,366 were contributed to GYC by board members. As of September 30, 2019 and 2018, pledges receivable from board members totaled \$5,000 and \$14,000, respectively.

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.

GREATER YELLOWSTONE COALITION, INC.
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12. DEFERRED CHARITABLE GIFT ANNUITY SPLIT-INTEREST AGREEMENTS (Continued)

The following summarizes the deferred charitable annuity obligations at September 30, 2019 and 2018:

<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 2019</u>	<u>Present Value of Obligation 2018</u>
2000	\$ 22,000	\$1,650	12/31/2024	\$ 10,014	\$ 9,324
2000	28,239	8,218	9/30/2020	34,933	32,526
2001	22,000	1,650	12/31/2024	10,014	9,324
2002	10,000	2,420	12/31/2025	7,942	7,492
2002	23,500	1,763	12/31/2024	13,691	12,965
2011	10,000	720	3/31/2011	1,229	1,910
	<u>\$ 115,739</u>			<u>\$ 77,823</u>	<u>\$ 73,541</u>

13. 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 \$76,056 and \$63,867 in contribution expense for the years ended September 30, 2019 and 2018, respectively.

14. OPERATING LEASES

Equipment Leases

GYC 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 \$1,000 for the year ending September 30, 2020. After November 2019, the lease continued on a month-to-month basis.

GYC leases office space in Jackson, Wyoming, under an operating lease agreement through July 2020. Future minimum lease payments for this space are \$14,650 for the year ending September 30, 2020.

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 \$350 to \$1,850. GYC received \$29,419 and \$31,814 in rental income for the years ended September 30, 2019 and 2018, respectively.

GREATER YELLOWSTONE COALITION, INC.
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15. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Financial assets		
Cash and cash equivalents	\$ 459,112	
Unconditional promises to give	186,570	
Other receivables	3,069	
Retirement plan forfeitures	12,724	
Investments	<u>10,102,886</u>	\$ 10,764,361
Unavailable for general expenditure in one year		
Board designated funds	2,406,861	
Donor restricted endowment funds	1,982,350	
Donor restricted endowment fund earnings	1,231,744	
Donor restricted funds	1,566,659	
Deferred payroll	89,235	
Unconditional promises to give due in more than one year	<u>50,000</u>	<u>7,326,849</u>
Total financial resources available for general expenditure		<u><u>\$ 3,437,512</u></u>

The Organization's endowment fund consists of donor-restricted endowments. Income from donor-restricted endowments is subject to appropriation by the Board (see Note 6). Board-designated funds are not considered available for general expenditure in the next year, but would be available as determined by the Board if necessary.

As part of its liquidity management plan, the Organization invests cash in excess of daily requirements in short-term investments, certificates of deposit, and money market funds.

16. SUBSEQUENT EVENTS

Effective December 2, 2019, the Organization received an extension on its note payable with an original maturity of April 30, 2020 to April 30, 2025 (See Note 8).

Management has evaluated subsequent events through February 19, 2020, the date on which the financial statements were available to be issued.