

MONTANA NONPROFIT ASSOCIATION

FINANCIAL STATEMENTS

December 31, 2017 (Audited) and 2016 (Reviewed)



**MONTANA NONPROFIT ASSOCIATION
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Montana Nonprofit Association
Helena, MT

We have audited the accompanying financial statements of Montana Nonprofit Association (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, 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 the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Montana Nonprofit Association as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Prior Period Financial Statements

The 2016 financial statements were reviewed by us, and our report thereon, dated August 22, 2017, stated we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

Amatics CPA Group

Bozeman, Montana
May 8, 2018

**MONTANA NONPROFIT ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016**

		December 31	
		2017	2016
		(Audited)	(Reviewed)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$	31,774	\$ 32,035
Grants receivable, current		85,500	40,000
Accounts receivable		27,421	19,305
Prepaid expenses		368	2,778
Total current assets		145,063	94,118
FIXED ASSETS			
Property and equipment		84,840	77,038
Less accumulated depreciation and amortization		(61,327)	(52,875)
Total fixed assets		23,513	24,163
OTHER ASSETS			
Investments		-	690
Refundable unemployment reserve		6,030	5,030
Grants receivable, long term		29,609	14,140
Total other assets		35,639	19,860
Total assets	\$	204,215	\$ 138,141
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$	261	\$ 5,380
Accrued payroll liabilities		36,781	25,770
Deferred revenue		48,660	48,343
Total current liabilities		85,702	79,493
NET ASSETS			
Unrestricted		1,713	677
Temporarily restricted		116,800	57,971
Total net assets		118,513	58,648
Total liabilities and net assets	\$	204,215	\$ 138,141

See the accompanying notes to the financial statements.

**MONTANA NONPROFIT ASSOCIATION
STATEMENTS OF ACTIVITIES
Years ended December 31, 2017 and 2016**

	2017 (Audited)			2016 (Reviewed)
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE AND SUPPORT				
Nonprofit member dues	\$ 117,993	\$ -	\$ 117,993	\$ 110,084
Affiliate member dues	16,670	-	16,670	9,100
Sponsorships	96,406	-	96,406	135,583
Discount product fees	89,168	-	89,168	86,718
Conference and training fees	125,971	-	125,971	116,071
Contributed support	47,235	218,029	265,264	72,117
Interest and dividends	234	-	234	18
Unrealized gain on investments	22	-	22	210
Released from restrictions	<u>159,200</u>	<u>(159,200)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>652,899</u>	<u>58,829</u>	<u>711,728</u>	<u>529,901</u>
EXPENSES				
Program services	506,147	-	506,147	462,214
Management and general	95,084	-	95,084	101,521
Fundraising	<u>50,632</u>	<u>-</u>	<u>50,632</u>	<u>29,443</u>
Total expenses	<u>651,863</u>	<u>-</u>	<u>651,863</u>	<u>593,178</u>
CHANGE IN NET ASSETS	1,036	58,829	59,865	(63,277)
Net assets at beginning of year	<u>677</u>	<u>57,971</u>	<u>58,648</u>	<u>121,925</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,713</u>	<u>\$ 116,800</u>	<u>\$ 118,513</u>	<u>\$ 58,648</u>

See the accompanying notes to the financial statements.

**MONTANA NONPROFIT ASSOCIATION
STATEMENTS OF FUNCTIONAL EXPENSES
Years ended December 31, 2017 and 2016**

	<u>Group Buying</u>	<u>Public Policy</u>	<u>Professional/ Organizational Development</u>	<u>Membership/ Communications</u>	<u>Building/ Shared Space</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2017 Total (Audited)</u>	<u>2016 Total (Reviewed)</u>
Personnel	\$ 8,197	\$ 12,777	\$ 130,985	\$ 94,162	\$ 5,354	\$ 251,475	\$ 49,236	\$ 41,188	\$ 341,899	\$ 285,574
Contracted services	16	7,990	125,951	-	5,347	139,304	19,582	25	158,911	156,519
Travel	-	3,970	15,573	2,175	-	21,718	803	1,376	23,897	18,926
Occupancy	678	1,086	12,372	7,770	385	22,291	4,085	3,073	29,449	36,404
Property and equipment	471	652	2,130	10,580	221	14,054	9,744	2,538	26,336	23,521
Other	6,337	2,129	41,459	6,978	402	57,305	11,634	2,432	71,371	72,234
2017 Total (Audited)	<u>\$ 15,699</u>	<u>\$ 28,604</u>	<u>\$ 328,470</u>	<u>\$ 121,665</u>	<u>\$ 11,709</u>	<u>\$ 506,147</u>	<u>\$ 95,084</u>	<u>\$ 50,632</u>	<u>\$ 651,863</u>	
2016 Total (Reviewed)	<u>\$ 32,842</u>	<u>\$ 9,894</u>	<u>\$ 302,744</u>	<u>\$ 116,734</u>	<u>\$ -</u>	<u>\$ 462,214</u>	<u>\$ 101,521</u>	<u>\$ 29,443</u>		<u>\$ 593,178</u>

See the accompanying notes to the financial statements.

**MONTANA NONPROFIT ASSOCIATION
STATEMENTS OF CASH FLOWS**

	Years ended December 31	
	2017	2016
	(Audited)	(Reviewed)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 59,865	\$ (63,277)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation and amortization	8,452	8,248
Unrealized gain on investments	(22)	(210)
(Increase) decrease in current assets:		
Grants receivable	(60,969)	96,514
Accounts receivable	(8,115)	1,893
Refundable unemployment reserve	(1,000)	(1,143)
Prepaid expenses	2,410	7,457
Increase (decrease) in current liabilities:		
Accounts payable	(5,119)	(5,828)
Accrued payroll liabilities	11,011	(13,321)
Deferred revenue	317	2,438
	<u>6,830</u>	<u>32,771</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(7,802)	(11,377)
Net proceeds from sale of investments	711	-
	<u>(7,091)</u>	<u>(11,377)</u>
Net cash used by investing activities		
CASH FLOWS USED BY FINANCING ACTIVITIES		
Advances (repayments) on line of credit	-	(10,019)
	<u>-</u>	<u>(10,019)</u>
NET INCREASE (DECREASE) IN CASH	(261)	11,375
Cash and cash equivalents at beginning of year	32,035	20,660
	<u>32,035</u>	<u>20,660</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 31,774</u>	<u>\$ 32,035</u>

See the accompanying notes to the financial statements.

MONTANA NONPROFIT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Montana Nonprofit Association (the Association), a Montana not-for-profit Organization, is a membership organization that is organized for the following purposes: to advocate and develop public policy on sector-wide issues, to offer savings on administrative costs by offering group buying opportunities, develop organizational training and technical assistance to enhance nonprofit capacity, provide research and communications on relevant nonprofit issues, and building a network to connect and strengthen nonprofits.

Basis of Accounting

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP), as codified by the Financial Accounting Standards Board. Therefore, revenues are recorded when earned and expenses are recorded when incurred.

Use of Estimates

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

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Association considers all unrestricted cash and other highly liquid investments with a maturity of less than three months as cash equivalents.

Investments

Investments are carried at fair value. Investment gains and losses are included in the statements of activities. Fair value is determined from quoted prices in established markets.

Basis of Presentation

The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Accordingly, net assets of the Association and changes therein are classified and reported 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 will be met either by actions of the Association and/or the passage of time.

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

Contributions of cash and other assets are reported as temporarily restricted support if they are received with donor-imposed stipulations that limit the use of the donated asset. When a donor imposed restriction expires, that is, the purpose restriction is accomplished or a stipulated time restriction ends, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

MONTANA NONPROFIT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

The Association grants credit to members for dues and to sponsors for commissions, endorsements and management fees and conference revenue. Accounts receivable consists of discounted product fees earned but not yet received as of the financial statement date and contributions receivable. Accounts and contributions receivable are stated at face value and management deems all to be collectible; accordingly, the allowance for uncollectible accounts is zero.

Promises to Give

Unconditional promises to give (i.e. grants receivable) are recognized as revenues in the period 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, discounted at the short term treasury bill rate. Amortization of the discount is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date.

Fixed Assets

Purchased assets are carried at their historical cost. Donations of property are recorded as support at the asset's estimated fair value. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets, which range from three to seven years. Acquisitions and improvements of property and equipment of \$500 or more are capitalized. Normal repair and maintenance costs are expensed as incurred.

Software and web development costs are capitalized at cost and amortized using the straight-line method over the length of the life of the asset, generally 5 years.

Depreciation and amortization expense was \$8,452 and \$8,248 for the years ended December 31, 2017 and 2016.

Deferred Revenue

Deferred revenue represents the prorated share of the annual dues assessed to members of the Association that have been collected, but not earned.

Income Taxes

The Association is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code. The Association qualifies as a publicly supported organization under Internal Revenue Code Section 170(b)(1)(A), and therefore has made no provision for federal income taxes in the accompanying financial statements. The Association'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.

MONTANA NONPROFIT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

2. CASH AND CASH EQUIVALENTS

The Association maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Balances held in financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank, per depositor. The Association has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents. As of December 31, 2017 and 2016, cash and cash equivalents did not exceed federally insured limits.

3. RELATED PARTY

The Association received administrative fees of \$34,201 and \$30,475 in the years ended December 31, 2017 and 2016, respectively, from the Montana Nonprofit Association Group Benefits Trust, which was established as an Internal Revenue Code section 501(c)(9) VEBA trust to provide health insurance coverage for Association members and their employees.

4. UNEMPLOYMENT INSURANCE

The Association maintains an unemployment program and contracts with a third party for stop-loss coverage in the event unemployment claims exceed \$30,000, up to \$90,000. The Association would be responsible for paying the first \$30,000 in claims and any costs above \$90,000 in total claims. Management is not aware of any unemployment claims. Accordingly, no liability has been recorded as of December 31, 2017 and 2016.

5. GRANTS RECEIVABLE

Grants receivable as December 31, 2017 and 2016 are due as follows:

	<u>2017</u>	<u>2016</u>
Amounts due in:		
Less than one year	\$ 85,500	\$ 40,000
One to five years	<u>30,000</u>	<u>15,000</u>
	115,500	55,000
Less: discount to present value	<u>(391)</u>	<u>(860)</u>
Grants receivable, net of discount	115,109	54,140
Less: current portion	<u>(85,500)</u>	<u>(40,000)</u>
Grants receivable, net of discount and current portion	<u>\$ 29,609</u>	<u>\$ 14,140</u>

6. RETIREMENT PLAN

The Association has a defined contribution SEP plan. The Association makes contributions of 6% of compensation after one year of employment. The Association made contributions totaling \$7,205 and \$8,100 to the plan for the years ended December 31, 2017 and 2016, respectively.

MONTANA NONPROFIT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

7. FIXED ASSETS

Fixed assets consist of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Computers and equipment	\$ 51,084	\$ 49,532
Software	16,500	16,500
Website	17,256	11,006
Less: accumulated depreciation and amortization	<u>(61,327)</u>	<u>(52,875)</u>
	<u>\$ 23,513</u>	<u>\$ 24,163</u>

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consists of assets with time and/or purpose restrictions as follows at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Subject to expenditure for specific purpose:		
Furniture and fixtures	\$ -	\$ 3,200
Organizational development programs and activities	34,910	54,771
Website	7,500	-
Subject to the passage of time:		
Grants receivable that are not restricted by donors, but which are unavailable for expenditure until due	<u>74,390</u>	<u>-</u>
	<u>\$ 116,800</u>	<u>\$ 57,971</u>

9. LINE OF CREDIT

The Association maintains a revolving line of credit at First Interstate Bank in the amount of \$50,000, collateralized by the assets of the Association. The interest rate at December 31, 2017 was 4.5%. The line of credit matures January 2018. Subsequent to year end, the line of credit was renewed and maturity date was extended to January 2019 with an interest rate of 5.0%.

10. LEASE AGREEMENT

The Association leased office space under a multi-year agreement through February 2017 with monthly payments of \$1,991 plus taxes and insurance. In March 2017, the Association entered into a three-year non-cancelable lease agreement for office space. The agreement requires monthly payments of \$1,925; the lease payments are indexed and adjusted each March. Lease expense was \$23,693 and \$26,339 for the years ended December 31, 2017 and 2016, respectively.

MONTANA NONPROFIT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

11. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose, by expiration of time or satisfaction of other donor requirements for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Annual conference	\$ 50,000	\$ 4,000
Leadership	-	10,000
Capacity building	-	35,000
Program and organizational development	74,700	80,433
Technology challenge	-	9,000
Time and purpose	19,000	-
Training	-	7,700
Building project	8,000	-
Website	<u>7,500</u>	<u>-</u>
Total released from restrictions	<u>\$ 159,200</u>	<u>\$ 146,133</u>

12. OPERATING CASH FLOWS

The following reconciles the change in net assets to cash flows from operating activities using the direct method of presentation.

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Cash received from:		
Membership dues	\$ 126,864	\$ 123,519
Sponsorship dues (net)	96,406	135,583
Discount product fees	89,168	86,718
Conference and training fees	125,971	116,071
Contributed support	212,748	168,630
Interest and dividends	<u>234</u>	<u>18</u>
	<u>651,391</u>	<u>630,539</u>
Cash payments to:		
Employees	(330,888)	(298,896)
Suppliers	<u>(313,673)</u>	<u>(298,872)</u>
	<u>(644,561)</u>	<u>(597,768)</u>
Net cash provided by operating activities	<u>\$ 6,830</u>	<u>\$ 32,771</u>

13. SUBSEQUENT EVENTS

Date of Management Evaluation

Management has evaluated subsequent events through May 8, 2018, the date on which the financial statements were available to be issued.