

MONTANA NONPROFIT ASSOCIATION

FINANCIAL STATEMENTS

December 31, 2018 (Reviewed) and 2017 (Audited)



AMATICS
CPA GROUP

**MONTANA NONPROFIT ASSOCIATION
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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors
Montana Nonprofit Association
Helena, MT

We have reviewed the accompanying financial statements of Montana Nonprofit Association (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying 2018 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Report on 2017 Financial Statements

The 2017 financial statements were audited by us, and we expressed an unmodified opinion on them in our report dated May 8, 2018. We have not performed any auditing procedures since that date.

Amatics CPA Group

Bozeman, Montana
August 14, 2019



**MONTANA NONPROFIT ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017**

| | | December 31 | |
|--|----|--------------------|------------------|
| | | 2018 | 2017 |
| | | (Reviewed) | (Audited) |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | \$ | 35,865 | \$ 31,774 |
| Grants receivable, current | | 50,000 | 85,500 |
| Accounts receivable | | 34,907 | 27,421 |
| Prepaid expenses | | - | 368 |
| Total current assets | | 120,772 | 145,063 |
| FIXED ASSETS | | | |
| Property and equipment | | 84,840 | 84,840 |
| Less accumulated depreciation and amortization | | (68,595) | (61,327) |
| Total fixed assets | | 16,245 | 23,513 |
| OTHER ASSETS | | | |
| Refundable unemployment reserve | | 6,230 | 6,030 |
| Grants receivable, long term | | 19,539 | 29,609 |
| Total other assets | | 25,769 | 35,639 |
| Total assets | \$ | 162,786 | \$ 204,215 |
| LIABILITIES AND NET ASSETS | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable | \$ | 3,110 | \$ 261 |
| Accrued payroll liabilities | | 30,243 | 36,781 |
| Deferred revenue | | 49,849 | 48,660 |
| Total current liabilities | | 83,202 | 85,702 |
| NET ASSETS | | | |
| Without donor restrictions | | 9,778 | 1,713 |
| With donor restrictions | | 69,806 | 116,800 |
| Total net assets | | 79,584 | 118,513 |
| Total liabilities and net assets | \$ | 162,786 | \$ 204,215 |

See the accompanying independent accountants' review report and the notes to the financial statements.

MONTANA NONPROFIT ASSOCIATION
STATEMENTS OF ACTIVITIES
Years ended December 31, 2018 and 2017

| | 2018 | | | 2017 |
|----------------------------------|----------------------|---------------------|------------------|-------------------|
| | (Reviewed) | | | (Audited) |
| | Without Donor | With Donor | Total | Total |
| | Restrictions | Restrictions | | |
| REVENUE AND SUPPORT | | | | |
| Nonprofit member dues | \$ 117,901 | \$ - | \$ 117,901 | \$ 117,993 |
| Affiliate member dues | 21,185 | - | 21,185 | 16,670 |
| Sponsorships | 86,838 | - | 86,838 | 96,406 |
| Discount product fees | 94,410 | - | 94,410 | 89,168 |
| Conference and training fees | 115,660 | - | 115,660 | 125,971 |
| Contributed support | 45,482 | 95,159 | 140,641 | 265,264 |
| Investment income, net | 28 | - | 28 | 256 |
| Released from restrictions | 142,153 | (142,153) | - | - |
| Total revenue and support | <u>623,657</u> | <u>(46,994)</u> | <u>576,663</u> | <u>711,728</u> |
| EXPENSES | | | | |
| Program services | 494,657 | - | 494,657 | 506,147 |
| Management and general | 84,465 | - | 84,465 | 95,084 |
| Fundraising | 36,470 | - | 36,470 | 50,632 |
| Total expenses | <u>615,592</u> | <u>-</u> | <u>615,592</u> | <u>651,863</u> |
| CHANGE IN NET ASSETS | 8,065 | (46,994) | (38,929) | 59,865 |
| Net assets at beginning of year | <u>1,713</u> | <u>116,800</u> | <u>118,513</u> | <u>58,648</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 9,778</u> | <u>\$ 69,806</u> | <u>\$ 79,584</u> | <u>\$ 118,513</u> |

See the accompanying independent accountants' review report and the notes to the financial statements.

**MONTANA NONPROFIT ASSOCIATION
STATEMENTS OF FUNCTIONAL EXPENSES
Years ended December 31, 2018 and 2017**

| | <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>2018 Total (Reviewed)</u> | <u>2017 Total (Audited)</u> |
|------------------------------|-------------------------|--------------------------|---|---------------------------------------|-----------------------------------|--------------------------|-----------------------------------|--------------------|--------------------------------------|-------------------------------------|
| Personnel | \$ 7,175 | \$ 9,205 | \$ 160,420 | \$ 76,863 | \$ - | \$ 253,663 | \$ 45,081 | \$ 30,367 | \$ 329,111 | \$ 341,899 |
| Contracted services | 3,204 | 8,466 | 104,111 | 9,508 | - | 125,289 | 26,527 | 9 | 151,825 | 158,911 |
| Travel | - | 1,544 | 11,780 | - | - | 13,324 | 140 | 1,119 | 14,583 | 23,897 |
| Occupancy | 716 | 865 | 16,977 | 7,375 | - | 25,933 | 4,156 | 2,944 | 33,033 | 29,449 |
| Property and equipment | 156 | 211 | 17,021 | 3,383 | - | 20,771 | 1,437 | 689 | 22,897 | 26,336 |
| Other | <u>7,993</u> | <u>912</u> | <u>40,976</u> | <u>5,796</u> | <u>-</u> | <u>55,677</u> | <u>7,124</u> | <u>1,342</u> | <u>64,143</u> | <u>71,371</u> |
| 2018 Total (Reviewed) | <u>\$ 19,244</u> | <u>\$ 21,203</u> | <u>\$ 351,285</u> | <u>\$ 102,925</u> | <u>\$ -</u> | <u>\$ 494,657</u> | <u>\$ 84,465</u> | <u>\$ 36,470</u> | <u>\$ 615,592</u> | |
| 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> |

See the accompanying independent accountants' review report and the notes to the financial statements.

**MONTANA NONPROFIT ASSOCIATION
STATEMENTS OF CASH FLOWS**

| | Years ended December 31 | |
|---|--------------------------------|------------------|
| | 2018 | 2017 |
| | (Reviewed) | (Audited) |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from donors and grantors | \$ 178,725 | \$ 196,179 |
| Other cash receipts | 437,211 | 446,759 |
| Payments for salaries and related costs | (335,649) | (330,888) |
| Payments to vendors | <u>(276,196)</u> | <u>(305,221)</u> |
| Net cash provided by operating activities | <u>4,091</u> | <u>6,829</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of fixed assets | - | (7,802) |
| Net proceeds from sale of investments | <u>-</u> | <u>712</u> |
| Net cash used by investing activities | <u>-</u> | <u>(7,090)</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 4,091 | (261) |
| Cash and cash equivalents at beginning of year | <u>31,774</u> | <u>32,035</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 35,865</u> | <u>\$ 31,774</u> |

See the accompanying independent accountants' review report and the notes to the financial statements.

MONTANA NONPROFIT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

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.

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

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. 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.

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. The expenses that are allocated include occupancy, personnel, contracted services (accounting, technology), property and equipment (depreciation) and other expenses (dues and registration, supplies), which are allocated based on staff time in each area, as tracked and reported on time sheets.

MONTANA NONPROFIT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

The Association grants credit to members for dues and to sponsors for commissions, endorsements, 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 \$7,268 and \$8,452 for the years ended December 31, 2018 and 2017.

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, 2018 and 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in Accounting Principle - Adoption of ASU 2016-14

In 2018, the Association 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.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

2. LIQUIDITY AND AVAILABILITY

The following reflects the Association's financial assets as of December 31, 2018, reduced by amounts not available for general use within one year due to donor or other restrictions limiting their use:

| | | | |
|---|----|--------|------------|
| Financial assets | | | |
| Cash and cash equivalents | \$ | 35,865 | |
| Grants receivable | | 69,539 | |
| Accounts receivable | | 34,907 | |
| | | | \$ 140,311 |
| | | | |
| Unavailable for general expenditure in one year | | | |
| Grants due in more than one year | | | 20,000 |
| Total financial resources available for general expenditure | | | \$ 120,311 |

The Association has certain donor-restricted net assets that are available for general expenditures within one year of December 31, 2018, because the restrictions on the net assets are expected to be met by conducting the normal activities of our 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.

As part of the Association's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In the event of an unanticipated liquidity need, the Association also could draw upon \$50,000 of an available line of credit, which is renewed annually by Board resolution (see Note 8).

**MONTANA NONPROFIT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017**

3. 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, 2018 and 2017, cash and cash equivalents did not exceed federally insured limits.

4. RELATED PARTY

The Association received administrative fees of \$33,666 and \$34,201 in the years ended December 31, 2018 and 2017, 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.

5. 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, 2018 and 2017.

6. GRANTS RECEIVABLE

Grants receivable as of December 31, 2018 and 2017 are due as follows:

| | <u>2018</u> | <u>2017</u> |
|--|------------------|------------------|
| Amounts due in: | | |
| Less than one year | \$ 50,000 | \$ 85,500 |
| One to five years | <u>20,000</u> | <u>30,000</u> |
| | 70,000 | 115,500 |
| Less: discount to present value | <u>(461)</u> | <u>(391)</u> |
| Grants receivable, net of discount | 69,539 | 115,109 |
| Less: current portion | <u>(50,000)</u> | <u>(85,500)</u> |
| Grants receivable, net of discount and current portion | <u>\$ 19,539</u> | <u>\$ 29,609</u> |

**MONTANA NONPROFIT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017**

7. FIXED ASSETS

Fixed assets consist of the following at December 31, 2018 and 2017:

| | 2018 | 2017 |
|---|-------------|-------------|
| Computers and equipment | \$ 51,084 | \$ 51,084 |
| Software | 16,500 | 16,500 |
| Website | 17,256 | 17,256 |
| Less: accumulated depreciation and amortization | (68,595) | (61,327) |
| | \$ 16,245 | \$ 23,513 |

8. 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, 2018 was 4.5%. The line of credit had a maturity date of February 2019, which was subsequently renewed through January 2020.

9. 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 \$7,809 and \$7,205 to the plan for the years ended December 31, 2018 and 2017, respectively.

10. LEASE AGREEMENT

The Association leases office space under a multi-year, non-cancelable lease agreement. The agreement requires monthly payments of \$1,925; the lease payments are indexed and adjusted each March. Lease expense was \$25,525 and \$23,693 for the years ended December 31, 2018 and 2017, respectively.

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consists of assets with time and/or purpose restrictions as follows at December 31, 2018 and 2017:

| | 2018 | 2017 |
|---|-------------|-------------|
| Subject to expenditure for specific purpose: | | |
| Organizational development programs and activities | \$ 40,061 | \$ 34,910 |
| 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 | 29,745 | 74,390 |
| | \$ 69,806 | \$ 116,800 |

**MONTANA NONPROFIT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017**

12. 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, 2018 and 2017:

| | 2018 | 2017 |
|--|-------------|-------------|
| Annual conference | \$ - | \$ 50,000 |
| Program and organizational development | 90,000 | 74,700 |
| Time and purpose | 44,653 | 19,000 |
| Building project | - | 8,000 |
| Website | 7,500 | 7,500 |
| Total released from restrictions | \$ 142,153 | \$ 159,200 |

13. SUBSEQUENT EVENTS

Date of Management Evaluation

Management has evaluated subsequent events through August 14, 2019, the date on which the financial statements were available to be issued.